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JANUARY 1979 $2.00

ALSO: A SOLUTION FOR THE WEST BANK
THE PRESIDENT IS NOT OUR LEADER
WHERE THE HELL IS PUEBLO, COLORADO?

IS THIS ANY WAY TO RUN AN AIRWAY?

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"Self-esteem comes from refusing to live lies"...

SELF-ESTEEM AND THE ART OF BEING — A forty-hour Intensive Workshop conducted by DR. NATHANIEL BRANDEN. Its aim: to enhance the level of the participants' self-esteem and thereby to enhance the capacity for creativity and love.

For most of us the great, undiscovered continent is the internal world of private experience. Our greatest problem is self-alienation — loss of contact with who we are, what we feel and what we know. The exercises and processes of the Intensive allow us to re-discover the self we have lost. We experience the clarity and freedom that emerges when we are ready to know who we are — and to respect our own powers.

The values taught in the Intensive — through a variety of experiential learning situations — are self-awareness, self-acceptance, self-responsibility, self-assertion, and personal integrity. These are the requirements of a healthy self-esteem.

The importance of self-esteem

Self-esteem is the experience of being competent to live and worthy of living. The level of our self-esteem is the single most potent factor in determining our effectiveness as human beings, in the areas of work, love, and human relationships generally.

Most of us know that we are not living to our potential. We would like to feel less tense, confused, frightened and guilty — and more alive. We sense within ourselves the capacity for greater creativeness and greater happiness in romantic and family relationships than we have ever experienced.

SELF-ESTEEM AND THE ART OF BEING aims at putting us in contact with our own highest possibilities. It operates in an atmosphere of warmth, respect, and great regard for human dignity.

Nathaniel Branden is the author of *The Psychology of Self-Esteem, Breaking Free,* and *The Disowned Self.* He is in private practice in Los Angeles, is Executive Director of the Biocentric Institute, offers training to psychologists, psychiatrists and other mental health professionals, and conducts INTENSIVES in major cities throughout the United States.

Learning to honor ourselves

"Self-esteem comes from refusing to live lies or to fake who we are," holds Dr. Branden. The distortion of our reality — the denial of our perceptions and feelings — begins in childhood. Fortunately, we do not have to be stuck there.

Most of us carry within us a good deal of buried childhood fear, anxiety and pain that obstructs our life as adults. Through confronting and re-experiencing these feelings we can learn to let go of them — to break free. We can accept the words of James Thurber: "Let us not look back in anger, or ahead in fear, but rather around in awareness."

Learning to hear — and love — the music inside of us

The art of being is the art of knowing and accepting who we are, at every moment of our lives. It is the art of awareness without denial or avoidance. It is the knowledge that we do not exist to fulfill anyone else's expectations or demands. It is the ability to relax into the fact that our lives are our own to live and that the responsibility for our happiness is ours to take.

Why the Intensive works

"It is not simply the nature of the experience, but the particular focus distinctive to Nathaniel Branden's work: his ability to create a world in which people feel it's right to be at their best; his focus on the fundamentals of our experience as human beings, our sense of ourselves and our desire to get the most out of life; his integration of our physical, emotional and intellectual selves; his knowledge that we grow by experiencing and that we need understanding of our experience for it to be clear and lasting; and the example he provides by the intensity of his own commitment to life."

Reason Magazine,
Dr. Cheri Adrian

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A forum for analysis and commentary, with an emphasis on individual liberty. JANUARY 1979/Vol. 10, No. 9

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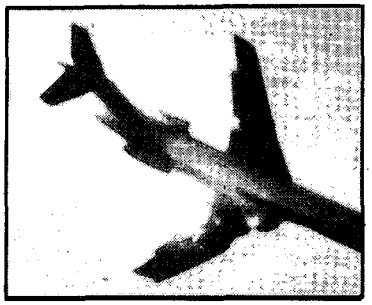

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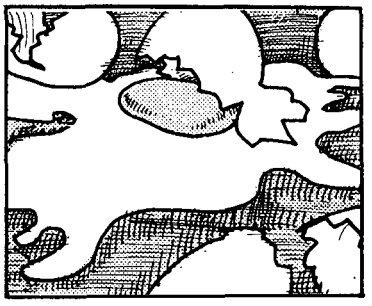

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EDITOR
Robert Poole, Jr.

ASSOCIATE EDITOR
Marty Zupan

SENIOR EDITORS
Tibor R. Machan
Manuel S. Klausner

CONTRIBUTING EDITORS

David Brudnoy
James Dale Davidson
Edith Efron
Mark Frazier
John Hospers
Eric Mack
Henry G. Manne
William Marina
Karl Pflock
Alan Reynolds
Murray Rothbard
Thomas Szasz

FOREIGN CORRESPONDENTS

Prakash Aswani/Middle East
Anne Brincker/Denmark
Ole-Jacob Hoff/Norway
Bob Howard/Australia
A. Michael Keerma/Canada
Riccardo La Conca/Italy
Henri LePage/France
Guy de Maertelaere/Belgium
H. Joachim Maitre/West Germany
N. G. Molinelli/Argentina
Michael van Notten/The Netherlands
Pauline Russell/England
Marc Swanepoel/South Africa

DEPARTMENTS

Tim Condon/Taxes
Thomas Winslow Hazlett/Brickbats
John Hospers/Movies
Randall K. Hylkema/Rudebarbs
John R. Lott/Spotlight
Robert Poole, Jr./Trends
Mark Tier/Money

ART DIRECTOR
Don Wood

TYPESETTING
Jean Graphics

STAFF

Annarose Aker
Elizabeth Anderson
Ashley Brooks
Debra Duke
Merton Fine
Louis A. Rollins

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editor's notes

• **FOUNDATION NEWS.** We are pleased to report that the Reason Foundation has now completed its organizing phase and is beginning full-scale operations. Our Educational Programs Director is Tibor R. Machan, on leave from his philosophy professorship at SUNY Fredonia. Under Machan's direction, the Foundation's first-year academic program will include two major conferences and the awarding of up to five research fellowships—funds permitting. The Foundation is also launching a series of Reason Monographs and is taking over publication of *Reason Papers*, which is to be issued annually.

The Foundation has been set up as a membership organization; present REASON subscribers are automatically members. You will very shortly be receiving a letter describing our plans in some detail and soliciting your support. Donations to the Foundation are tax-deductible, and the deadline for making such contributions is December 31, for the 1978 tax year. If you would like to help in the very important work of strengthening the philosophical foundations of a free society, contributing to the Reason Foundation is one of the best ways of doing so.

• **PUBLICITY.** Yet another REASON article has been selected for wider distribution. James R. Dunn's "Back to the Land: Environmental Suicide" is being reprinted by the New England office of the Department of the Interior's Bureau of Mines. They plan to distribute it to college students and other groups where representatives of their office are invited to give talks. *Teachers:* if you would like to order copies of REASON in bulk for classroom use, we can make them available at cost. Please write for details.

• **STAFF CHANGE.** We bid farewell to Brickbats columnist Bill Birmingham, who has gone to work for *Libertarian Review*. Taking Bill's place, effective this month, is Thomas Winslow Hazlett. Tom is experienced as a publicist and radio commentator and is currently pursuing graduate studies in economics at UCLA.

• **NOTICE.** REASON has learned that the information comprising the article "Slashing Taxes Is Good for What Ails Us" by Christopher Weber, appearing in our November issue, was derived from Jude Wanniski's recent book *The Way the World Works*. Nowhere in the article does Weber mention Wanniski's book as the source of his material. We wish to take this opportunity to set the record straight and to offer our apologies to Mr. Wanniski. Moreover, we encourage all of you to go out and buy his book—it's a very worthwhile and thought-provoking volume, as Alan Reynolds pointed out in his review last month.

• **EDITORS' ACTIVITIES.** REASON's editors continue their very busy schedule of writing and speaking. Robert Poole, Jr.'s article "How to Break Up OPEC: Myths and Realities of Natural Gas Pricing," coauthored with Carlos Henkel, appeared in the October issue of the *Freeman*. His "Hidden Perils in Government Support of Space Activities" was published in *World Research INK*'s September issue. Earlier this year, that publication reprinted from REASON Poole's article on the Scottsdale, Arizona, private fire department. That led to a long telephone interview with Norm Gorin, a producer for CBS-TV's "60 Minutes." And that, in turn, led to a "60 Minutes" story on the innovative company, aired November 5, just before election day. And Poole's Trends column from REASON is now being reprinted in the *Enterprise*, a Salt Lake City business newspaper.

Senior Editor Tibor Machan has recently participated in the Liberty Fund's conference "Toward Liberty: A Reevaluation of the Philosophical Bases and Constitutional Design of the Free Society." The ten-day seminar was addressed, alternately, by Jonathan R. T. Hughes, Shirley Robin Letwin, William Niskanen, James Buchanan, and Gordon Tullock. Machan reviewed Robert Heilbroner's *Beyond Boom and Crash* for *Barron's* (October 2, 1978). His "Some Normative Considerations of Deregulation" appears in the Fall 1978 issue of the *Journal of Social and Political Studies*. He wrote the introduction to Liberty*Classics*' new edition of Herbert Spencer's *The Principles of Ethics*. And he contributed the essay "Reason, Morality, and the Free Society" to *Law and Liberty: Essays on F. A. Hayek*, edited by Robert L. Cunningham and published (December) by Texas A&M University Press. In addition, Machan read a paper entitled "Naturalism, Values, and the Social Sciences" at the Third International Wittgenstein Symposium, held this summer at Kirchberg-am-Wechsel in Austria.

—R. P.

You Can Borrow $25,000 Overnight

Using my new consumer banking discoveries.

My name is Mark Skousen. Like you, I've dealt with banks all my life. And, like you, whenever I needed a loan, it seemed as if the banks held every card. "The banks never give the average guy a break," I used to say.

Then, about three years ago, things started to change. I discovered that increased competition among banks had opened up *dozens* of opportunities for borrowing and making money—on amazingly favorable terms. I learned how to *beat* the banks—at their own game. *And you can, too!*

How did I do it? With a little investigating—and some creative thinking. I talked with bank officials. I read banking literature—*between the lines*. Slowly but surely, I began picking up "tricks of the trade" which had been known only to banking insiders.

I found, for example, a multitude of little-known opportunities in the use of checking accounts and credit cards. With my newly-acquired skills, I was able to take out a three-year $2,000 loan—*interest free!* I opened a profitable mail-order business with the money—and didn't even have to tell the bank why I wanted the loan.

A Major Breakthrough

Then I stumbled on the most powerful idea in consumer banking history: An *unlimited source of overnight capital at good interest rates!*

I became aware of this when a friend told me how he had been able to borrow tens of thousands of dollars *without* revealing the purpose of the loans and *without* putting up any collateral. He didn't have to use the money right away—he could let it sit in the bank. And he didn't have to pay any interest until he actually used the money. When he finally needed it, the money was there, waiting for him.

This I had to see for myself. To my surprise, I found that I too could borrow thousands of dollars overnight, even though I had only an average income. But that was only the beginning. *Raising money this way was the easiest borrowing I had ever heard of.*

First, I found I could qualify for these instant, unsecured loans without ever sitting down with a loan officer. Everything could be done by mail!

Second, I could use this money for any purpose I saw fit.

Third, the interest was much less than I would pay using credit cards. And using conservative techniques, I was able to reduce the interest to under 10%. Not bad for a personal loan!

Another Explosive Discovery

My new banking discoveries did not end with "The Perfect Loan." I have investigated dozens of banking secrets you can use. For instance, I learned about interest-paying *checking* accounts; five percent annual interest, from day of deposit to day of withdrawal—and the bank pays for postage, envelopes, even the checks themselves. No minimum balance, no monthly fees, no cost per check!

Yes, things worked out well for me. So I've written a book that tells everything I've learned: *The 1979 Insider's Banking & Credit Almanac.*

This is *not* a "get rich quick" book. But these ideas *can* get you started. I have done all the groundwork for you.

A Few of the Banking and Money Secrets in My Book

- One credit union that pays 9% on unrestricted savings accounts.
- A checking account that lets you write checks in any currency you wish.
- A U.S. checking account 100% backed by gold bullion.
- How to earn 12% on an 8% CD.
- How to get *free* life insurance.
- How to manage *without* a U.S checking account (if you seek privacy from government snooping).
- How safe is your bank?
- A credit union that pays 6% on its *checking* account.
- How *anyone* can use an out-of-state checking account *locally*.
- Postpone bankruptcy—forever.
- Save $100 a year on checks.
- How to get free travelers checks, free money orders, free notary service.
- Which credit card is best?
- Buy a home with no money down.
- Why you might want to *borrow* money to start a retirement program.
- A 12-point checklist for the best overdraft checking.
- What the banks *don't* tell you could wreck your retirement program.
- A simple way to keep your checks from being microfilmed.
- How to legally avoid the IRS foreign bank reporting requirement.
- How to earn over 8% a year on liquid emergency cash.
- A Visa card which entitles you to big sweepstakes.

Free Gift

Yours free when you buy the Almanac—a special report on "Your Tax-Sheltered Savings Program." This sound but little-known plan offers two incredible benefits you should be aware of. The report is yours to keep free, even if you return the book for full credit. You can't lose!

Your Money-Back Guarantee

My book costs only $14.95 postpaid. (*The cost is tax deductible if used for business or investment purposes.*) You can try it without any risk at all. Here is my *unconditional money-back guarantee*:

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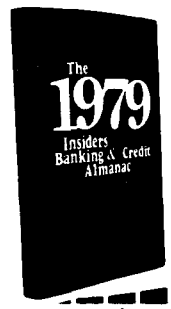

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Ending Missile MADness

editorial

The post-Hiroshima nuclear era has changed the nature of warfare. The advent of strategic nuclear weapons, especially those carried by ICBMs, has led to today's balance of terror, resting on the thesis that the only defense against nuclear destruction is to hold the opponent's population hostage by the threat of massive retaliation in kind. This philosophy goes by the ironic acronym of MAD—Mutual Assured Destruction.

Advocates of liberty have long been divided over US defense policy. Some, repulsed by the immorality of threatening the annihilation of civilian populations, have argued for steps toward unilateral disarmament. Others, though troubled by the moral issue, have urged continued reliance on MAD, because no alternative that would assure US survival seemed to be available.

But this cruel dilemma now appears to be resolvable, thanks to a series of stunning breakthroughs in applied physics. Research and development at Los Alamos Scientific Laboratory, Lawrence Livermore Laboratory, and the Air Force Weapons Laboratory at Kirtland AFB has led to the development of high-energy lasers and particle-beam weapon designs. If planned development programs succeed, the result would be "death ray" weapons that could destroy not only incoming nuclear warheads but even the ICBM itself, shortly after launch.

The strategic implications of these developments are enormous. "This is the only new strategic concept to present itself in a number of decades, and the only one which merits the words ...potentially decisive," says a study recently completed for the Army. For if ICBMs are no longer invulnerable but can be safely destroyed by a defender, then the balance of terror will be shattered.

High-energy lasers deliver destructive energy at the speed of light—about 50,000 times faster than rocket interceptors. The precision of such a laser beam is so fine that the concentration of destructive energy on a target is over a million times greater than that of a nuclear weapon. Particle-beam weapons—massive accelerators of protons, electrons, or neutral particles—will operate with similar energies, at velocities a large fraction of the speed of light.

Mounted on orbiting satellites, such weapons could be aimed and fired at ICBMs detected by other satellites at the time of launch. Firing such a death ray while the missile is still in its boost phase means that the resulting debris will fall either in the ocean or in the aggressor's own territory. And in many cases—such as a direct hit by a charged particle beam— the beam will simply destroy the missile without setting off its nuclear warhead. The beam itself is not a weapon of mass destruction but rather of highly discrete—even pinpoint—destruction. It is inherently *defensive*, not offensive.

A Lockheed study has shown that a system of 21 orbiting laser-armed "battle stations" could cover the earth's entire surface if the laser range were 5,000 kilometers. (406 such stations would be needed if the range were only 1,000 kilometers.) Such a system could handle the simultaneous launch of 1,000 ICBMs directed against the United States. Using space-shuttle cost figures of $150 per pound of cargo delivered to orbit, the cost of launching the 21 battle stations has been estimated at $750 million to $1.5 billion—a fraction of what is being spent each year to maintain the US ICBM arsenal.

What we have, then, is a feasible way out of the present MADness. The ability to destroy enemy ICBMs with very little risk to the US population, and with much-reduced risk to enemy populations, provides a morally sound solution to the balance-of-terror problem. No longer must we threaten to annihilate the population of the Soviet Union; we need only assure its leaders that if its missiles are launched they will be destroyed before they get very far out of their silos or submarine launch tubes.

All of this, of course, presumes that what is now a very promising set of technology programs can, in fact, be converted into operational weapons systems. The leading ballistic-missile defense project is the Army's "Sipapu" (sacred fire) neutral-beam weapon program. It is now "at a point where weapons packaging designs could be initiated," says the Army, and according to some officials could be ready for launch in three to five years as an antisatellite weapon. Its use for ballistic-missile defense requires much larger power sources, such as a compact space nuclear reactor planned for late 1980s' deployment.

The Soviet Union is also working on beam weaponry and apparently has a several-year head start. Although intelligence experts differ, some expect the Soviets to be testing a particle-beam weapon by 1983, compared to a 1986 date for the United State's program, on its present schedule. If the Soviets achieved an operational capability in this area first, they would be able to threaten the use of their ICBMs with impunity. If the United States can catch up with or surpass the Soviets, however, their ICBMs will be neutralized, and Soviet nuclear blackmail will become impossible.

But achieving success in this endeavor is not guaranteed. Though the technology looks very promising, it is not *certain* that the weapons will work as planned. Continuing to sink billions into the MX and Trident ICBMs instead of developing the new weapons could permit the Soviets to succeed first. Or our arms-control negotiators could bargain away certain key ingredients—by agreeing to treaty proposals to ban space-based nuclear reactors (needed for power supplies) or antisatellite weapons (needed to defend the battle stations against Soviet killer satellites—already tested in space 16 times).

An effective defense against ICBMs will make further SALT agreements irrelevant by rendering strategic nuclear weapons obsolete. As such, it is the key to ending the terrible specter of nuclear destruction. Now that such a capability is close at hand, every effort must be made to ensure its successful development.

Robert Poole, Jr.

In an exclusive new interview, Dr. Franz Pick warns...

"The Dollar Will Be Wiped Out"

"I have lived through the destruction of the Czechoslovak koruna, the German mark, and the French franc. Now I'm witnessing the destruction of the U.S. dollar. The destruction process is the same."

Dr. Franz Pick is one of the world's most respected authorities on currency matters and precious metals. He studied currency and inflation theories at the University of Hamburg and the Sorbonne in Paris. His degrees include BS, MA, MBA, LLD, and PHD. He is the Publisher of *Pick's World Currency Report* and *Pick's Currency Yearbook*, two internationally respected publications on currencies. He is the author of 6 books on silver and gold.

Dr. Franz Pick

Now, in an exclusive new interview with the **Silver & Gold Report**, Dr. Pick discusses his concern for the dollar and its effects on investors. Here are examples of his analyses:

On the Dollar

"The most serious problem we face today is the debasement of our currency by the government . . . As you can observe by looking at the official U.S. cost of living statistics, the dollar by early 1978 had been debased to less than one-quarter of its 1940 value. My own unofficial figures put the value of the dollar at around 9% of its pre-war value . . . The government will continue to debase the dollar until it is worth about a nickel. [Then it will repudiate its debts] by exchanging 20 old dollars for each new dollar. This may come as early as 1980."

On the Outlook for Investors

"[Dollar-denominated assets] will be wiped out... Many people will be ruined. I'm afraid the readjustment to real values will bring much pain and suffering."

On Traditional Investments

"Currency debasement destroys the value of corporate bonds, stocks, life insurance policies, annuities, and all other debt instruments denominated in dollars. We may be the richest nation in the world, but our assets are melting away before our eyes and virtually no one recognizes this fact."

"Gold is your best protection."
—Dr. Franz Pick

Based on his deep knowledge of money, and his first-hand experience with collapsing currencies, Dr. Pick is convinced that, despite the dollar crisis, you can preserve the value of your assets.

He tells you why he believes *gold* is the single best inflation hedge available anywhere. He explains why worldwide demand for gold—as both a hedge and an industrial commodity—is rising sharply. He discusses three new developments—involving Arabs, India, and a possible new world monetary agreement—which may exert dramatic upward pressure on gold prices.

How to Invest

Dr. Pick also shows you what forms of gold to invest in. He explains how to buy gold and legally avoid sales tax. He explains the critical mistake many investors make by taking out a safe deposit box, and tells you how to avoid it. He points out a serious danger of owning gold coins—overlooked by many owners—and describes how to avoid it, too.

SPECIAL INTRODUCTORY OFFER

Dr. Franz Pick's interview recently appeared in the **Silver & Gold Report**, an impartial independent, twice-monthly Newsletter. A copy of this interview is yours as a BONUS with a two-month 4-issue Introductory Subscription for only $15. Simply clip and mail the coupon with your $15 check or money order. Or, if you wish, you may charge your subscription to your Master Charge or Visa account.

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letters

Socialism Thrives

My copy of the July REASON reached me here only in October, after a long chase across the Atlantic and back. But I must write at once, however belatedly, and very sadly, to insist that, though it would indeed be encouraging had there been a British Retreat from Socialism [Trends], in fact there has not.

Certainly large majorities even of regular Labour voters have told pollsters that they want no more nationalization, no more state monopolies. But this is of no significance so long as they remain ready to support the Labour Party despite its constitutional commitment to ultimate total socialism. Certainly too we have seen few new and open socialist measures since Mr. Callaghan succeeded Harold Wilson. But your source should have noticed that this has been a period during which, mainly as a result of the fiercely socialist policies of the immediately previous period, the country has been in hock to the International Monetary Fund. It has also been a period in which the Labour Party has not had a parliamentary majority.

In this same Callaghan period the hard-line socialist ultras have further strengthened their hold on the Party's National Executive, which must have a large say in what will go into the election manifestos, and on the party locals, which choose the parliamentary candidates. And Callaghan himself has already promised that the programme will include both a wealth tax and still more legal privileges for the Party's labour union paymasters. Also one must not ignore, as almost all commentators do, that by simply leaving taxes on capital and income at their present inordinate and confiscatory levels the Callaghan regime is all the time taking silent but very substantial steps towards the socialist goal of total state ownership and control of the economy.

Finally, two assertions in this sunshine story are not just misleading, but plain false. First, it is not true that Labour "lowered to zero the threshold for payment of income taxes." There always have been and still are "personal allowances," as well as marriage and children's allowances, which ensure that everyone has some—though not much—income which is not liable to taxes. Second, it is not true that Callaghan "has orchestrated the defeat of the party's left wing on such issues as nationalization of banks and insurance policies." He did try. But he was overwhelmingly defeated, and the left easily got the two-thirds majorities needed to include the proposals in *Labour's Programme 1976*, which is and remains party policy. If as is most likely they win five more years in a 1979 election, Ingsa could well be fully established, on schedule, by 1984.

Antony Flew
University of California at San Diego (visiting)

Strike-Out

It seems to me that Bill Birmingham of Brickbats fame will go to any length and engage in the most absurd mental gymnastics in order to vilify Israel.

In a previous issue [June] he used near obscene language when he criticized Israel's action against Arab terrorists in Lebanon after about 50 Israeli citizens had been murdered on the Haifa-Tel Aviv highway by these "freedom fighters." Perhaps somebody might remind him that the United States took similar action against the Mexican bandit Pancho Villa after he committed lawless acts of similar kind on United States territory.

Mr. Birmingham distorts General George Keegan's remarks [September]. General Keegan said that the US had gotten a thousand dollars for every dollar it had given to Israel. Birmingham translates that figure into cold cash. A nine-year old would recognize General Keegan's expression as a simile. He meant, of course, that the US is getting a bargain by having Israel check Soviet expansionism in the Middle East and by providing US intelligence with extremely valuable information. I am referring especially to captured Soviet military hardware.

Please keep the contents of REASON on an acceptable intellectual level. Your readers are not morons.

Fred S. Poli
Upper Darby, PA

Tax Compromise

I cannot remain mute about your use of the phrase "tax revolt" [November] in referring to Proposition 13 and similar measures resulting from it. Your choice of the words "tax revolt" does nothing to inspire

much faith in your views of taxation, and rather serves instead to mask the crucial point which should and is not being made. That point is that taxation is, by every definition of the word, theft and nothing short of it. To take or seize property from its rightful owner without the owner's consent and/or against his will is to steal, an act which we call theft.

Now, how do you justify the use of the words "tax revolt" in that light? To insist that a thief take less from you than he had planned to is hardly a "revolt"! Such terminology implies that it is *just* that we are and should be slaves of the State, but that we are granted the option to complain a little now and then just to make things appear "fair." Personally, I am not impressed with California's pathetic plea that they should merely have less stolen from them. This is not revolt! This is not rebellion! This is nothing less than compromise. Gentlemen, we will have a genuine Tax Revolt when enough individuals declare total independence of the State and its institutions and refuse to pay *anything* at all, except of course for those services which are necessary to them in their judgment!

Gary S. Rea
Oklahoma City, OK

Good Show

Just a note to express my appreciation of Tibor Machan's editorial "Left-Wing Bias on Human Rights" [September]. It is a fine piece!

George I. Mavrodes
Ann Arbor, MI

Elitists All?

Much as I admire the gallant crusade of Petr Beckmann to expose the follies of the socialists, anti-nukes, and assorted ecofreaks over the years, I must take respectful dissent at the main thrust of his article "Economics as if SOME People Mattered [October].

Certainly all the folly and stupidity that Beckmann attacks can be found in the "small is beautiful" movement. What Beckmann fails to understand, however, is that within that same movement there are thousands of budding libertarians. Space will not permit a full exposition of this point, but I offer the following two examples.

Steve Baer, one of the nation's most respected solar pioneers, recently wrote a piece on Carter's energy policy (*sic*) in the journal *RAIN*. The article is an all-out at-

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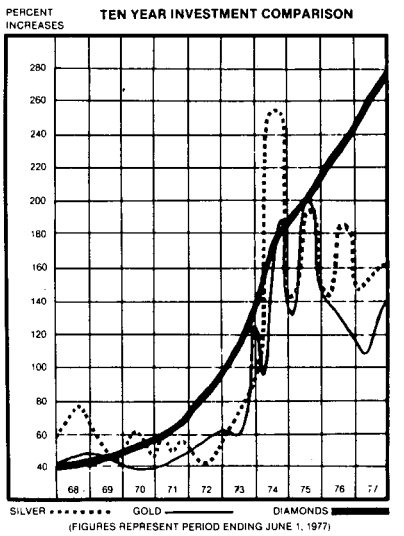

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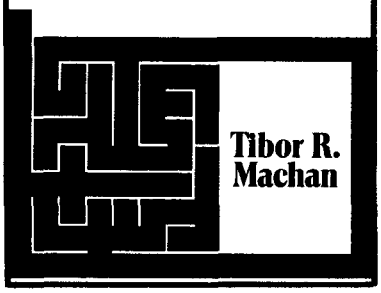
B.F. Skinner Scrutinized

the Pseudo-Science of B.F. Skinner



Psychologist B.F. Skinner of Harvard has become very influential. Prison reform, pedagogy, drug addiction programs, public school reform, etc., are guided by his views.

THE PSEUDO-SCIENCE OF B.F. SKINNER shows why adopting Skinnerism is a mistake. Tibor Machan's carefully reasoned and powerfully written work demonstrates that B.F. Skinner is unscientific. But Machan does not end here. He shows that a dynamic and rational conception of science in fact supports a view of human nature and society quite the opposite of Skinner's technocratic totalitarianism.

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tack on the existence of the Department of Energy or a national energy policy. Says Baer, "We do not need a Department of Energy. We do not need laws governing everything from the car you drive to the windows in your house. . . . Foolish people will waste their money on inefficient cars and badly built houses. Isn't that their business?"

"If you don't want to buy what Exxon sells, you don't have to," Baer continues. "But try this simple experiment: explain to the Internal Revenue Service that you aren't going to pay the portion of your tax money that goes to the Department of Energy. Government agents will come and take away your property. I know. I tried it during the Viet Nam War."

"Leave people alone with enough wealth after they pay their taxes," Baer says, "and they will invent, develop, trade with each other and do a good job of solving their own problems."

Another example is Leopold Kohr, the real mentor of E. F. Schumacher and perhaps the earliest prophet of the "small is beautiful" idea. Anyone who thinks Kohr is some kind of fuzzy-headed elitist socialist should read his superb essay "Property and Freedom" in Samuel Blumenfeld, ed., *Property in a Humane Economy* (Open Court, 1974), an anthology sponsored by the Institute for Humane Studies.

There is, in the alternative energy/decentralized society/"small is beautiful" movement, a strong and growing libertarian undercurrent which should be welcomed and encouraged. Beckmann indiscriminately reads the whole movement out of the human race. The article is characteristically entertaining, but a very poor foundation for fruitful thinking on the subject.

John McClaughry
Concord, VT

Irresponsible

Murray Rothbard's Viewpoint on the tax revolt [September] underscored a theme which may well put an untimely end to the very movement he seeks to promote. I refer to the eagerness of many would-be tax reformers to eschew an image of ("craven," "pusillanimous," "mealy-mouthed") responsibility.

A good deal of the power of statism flows from an irrational belief that elected officials are wiser, more judicious, more *responsible* than the feckless electorate. . . . We are now at a critical juncture in the development of a popular willingness to consider alternatives to the State. It is a precarious moment, for millions of people are turning inward to challenge the statist myths which have been transmitted to them through coercive institutions and generations of forebears as misled and confused as themselves. At this fragile turning point, we need nothing less than for Rothbard to gallop on stage and proclaim that the myths were right—responsibility *is* a State monopoly; *we're tax rebels*, and tax rebels have no use for responsibility!

Sure, it's great fun to bounce around the campaign trail spouting anti-government slogans off the top of your head and talking (as did Jarvis) of ramming hot rods up politicians' butts. Bravo! But do you think no one will notice when you skip town the day after the election?

In California, as elsewhere, local government has monopolized a wide range of activities—from lighting streets to extinguishing fires—which can rightly be termed essential to society. Libertarians can demonstrate how these services can and should be shifted to the voluntary sector. But I have news for you: most people don't *know* this—they've never even thought about it!

The State of California has responded to Prop. 13 by transferring $4 billion (so far) from the state treasury to continue financing local government at existing levels. The official line is, "When the state money runs out, you'll lose your street lights, your fire departments, and all your other essential services." If we don't demonstrate how the transition to private programs should be made, there's a good chance people will become frightened enough to repeal Prop. 13 within the next two years.

But who'll be doing this demonstrating? Not Rothbard. Not Jarvis. That's behaving *responsibly*, and you know how we tax rebels feel about that. On to Oregon, Michigan, and Washington, D.C.! More elections! More tax cuts! More hot rods up butts!

Irresponsible rhetoric is irresponsible rhetoric. When the people start looking around and seeing that the tax revolt is not only led by irresponsible crackpots, but that some of its leading theorists expressly reject the concept of responsibility, how do you think they'll respond? And who do you think will have the last laugh as the tide of tax revolt starts to recede?

R. S. Radford
Contra Costa Taxpayers Association
Martinez, CA

Transition

In response to Mr. Hildebrand's letter [August] regarding the flat-rate income tax, I must say that he does not understand . . . that it is intended only as a tran-

sition to a structure whereby governments would offer services for a price—to be voluntarily utilized or not by the taxpayer. The adoption of a flat-rate income tax or some other such *simple* device would lead to the destruction of governments as we now know them. This would be the inevitable result of eliminating those social proposals in the Tax Code from a revenue-collection device utilized by government so that these items could be debated separately. Interestingly enough, the Socialist Worker's Party representative has indicated that the Tax Code is O.K.

As things are presently, tax codes are adopted unanimously as a package without any opportunity for debate on separate sections. This game is an intentional one. As Mr. Hildebrand correctly stated, "one federal dollar is completely indistinguishable from all others." That is precisely the point, isn't it? Mr. Hildebrand is obviously not dealing in the real world.

Regarding the flat-rate income tax, he has not recognized that it is an attempt to avoid violent revolution and yet still obtain the goals of having a non-interventionist government—which is the libertarian goal.

Sheldon R. Waxman, J.D.
Chicago, IL

"Protection"

The Power to Tax is the Power to Destroy. Michael Silver's "Regulations That Are Killing Us" [October] leads me to: The Prerogative to Protect becomes the Power to Destroy.

Jim Roaf
Days Creek, OR

"Free Socialism"

As one who used to believe in capitalist economics and who now fervently champions the cause of free socialism, I appreciate the very fair-minded article "The Mailed Fist Vs. The Invisible Hand" by William Chadwick [September].

I can understand very well Mr. Chadwick's mixed feelings about the anarcho-socialist assault on inheritance and on the concept of private property in general. It took me a very long time to realize that private property combined with the use of wage labor was the coercive monopolization of the means of life backed to the hilt by government. So when we revolutionary anarchists call for the "expropriation of the expropriators," we are only acting in collective self-defense against the class of thieves and knaves. We acknowledge the (*Continued on p. 49.*)

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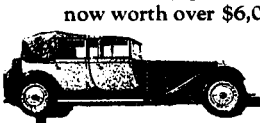

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brickbats

☐ **Fresh from their public** service campaign to alert Californians to the apocalyptic consequences of Proposition 13, Golden State intellectuals were pushing back even more challenging frontiers of political science and economic theory in attempting to demolish the case for two Los Angeles ballot measures allowing private contractors to bid for work now performed by city and county workers. Labeled A and P, the propositions are unrelated to the grocery. J. Travers Devine (you may recall that name from a large marquis in a W. C. Fields circus movie), a representative of a public-employees union, must have spent tedious years filled with arduous analytics at the London School of Economics to deduce: "It doesn't make sense to believe that a private company, which rightfully makes a profit, can do things cheaper than a government which doesn't make a profit unless management is so bad that that is the real problem."

It would be unconscionable to slight another union mouthpiece, Ed Burke, who revealed the latest scientific finding in political theory characteristic not, say, of the University of Chicago, but of the city of Chicago, where the study of "applied politics" has reached its perihelion: "Los Angeles has pretty good government now, but Propositions A and P will likely destroy that. They seek to open the door to the spoils system by setting up the machinery for corruption."

Both propositions passed in November by wide margins.

☐ **And concerning the exploitation** of our dedicated government workers, a horrified public school teacher moved from Texas to Louisiana to find that the pay for substitute teachers was a measly 25 bucks a day. The civil servant fired off an angry letter to authorities demanding an explanation of the source of this abomination. Included, as proof of qualifications, were seven errors in grammar and spelling. The word *substitute* was twice botched. The letter was one paragraph.

☐ **Death and taxes** continue their discomfiting presence. David Horowitz, NBC's economy-sized Ralph Nader, has uncovered massive fraud in the casket mega-business. Consumerist Horowitz conducted a far-ranging investigation of the guarantees that go with the sale of coffins, something the public has been clamoring to know more about. Our tireless fraud scout found, first, that warranties were always included but only in an attempt to sell the product. Sniffing chicanery, he pushed on to find, second, that there is no good way to check the standard 20-year warranty unless the departed is moved or happens to reside in a crypt. Mr. Horowitz, aghast that a stationary, grounded deceased person could be the victim of a leaky coffin, can now take full credit for exposing this casket industry rip-off before millions of appreciative TV viewers.

☐ **Howard Jarvis**, the Knute Rockne of the tax-slash crusade, launched his American Tax Reduction Movement on a half-hour of national television on September 26. Howard was prominently featured on the show and delighted greedy taxpayers everywhere by telling a questioner that death and taxes *are* inevitable, but that it is *not* inevitable that we be taxed to death. The Jarvis phenomenon has, at any rate, allowed more serious enemies of the state to phase out their efforts vis-à-vis bumper-sticker-slogan production and to focus on more scholarly concerns.

☐ **Cold War revisionists**, who assert that US foreign policy is responsible for Soviet expansionism, have been given forceful new documentation in a recent book by the former presidential aide and Bert Lance predecessor Bobby Baker. "Wheeling and Dealing: Confessions of a Capitol Hill Operator" reveals that Lyndon Johnson, while vice-president, was privy to a display of blatant US aggression by State Department officionado (later ambassador to India) Chester Bowles. Johnson reported of Bowles: "He's losing us friends all over the world with his. . . halitosis. I got a whiff of it the other day, and if it had been Khrushchev instead of me, there'd be a war on now."

☐ **James Madison once suggested** that government has a propensity to exploit every contingency into an excuse for growing larger and more obnoxious. But who would have had the anarchistic audacity to suspect that they'd even turn the very problem of Big Government into such a contingency? Well, Colorado's so-called sunset laws, which were recently enacted to put a lid on wasteful state government bureaucracy, have been just such a story. The statute has succeeded in eliminating three unlucky bureaus, including, surprisingly, the critical Board of Registration for Sanitarians. This took $6,810 off the taxpayers' backs. But the "red tape" service charge for lightening the load (audits, legislative testimony, private consultants) tossed $212,000 right back on. It cost $31 to save $1. Hey, does that crisis ever look like a *new* contingency!

☐ **Eric Hoffer**, writing in the October *Harper's*, once again demonstrates that not all brilliant social scientists are social scientists: "Inflation is turning me against the rich. Yet I cannot see myself living in a socialist society. My passion is to be left alone, and that is possible only in a capitalist society. Capitalism is ideally equipped for mastering things, but awkward in mastering men. It hugs the assumption that people will perform tolerably well when left to themselves.

"The curious thing is that the reluctance or inability to manage men makes capitalist society uniquely modern. Managing men is a primitive thing. It partakes of magic and is the domain of medicine men and tribal chieftains. Socialist and Communist societies are a throwback to the primitive because of their passion for managing men."

☐ **One of the most catastrophic** concessions for the Big Brother credo was cruelly dealt by the famous Senator George McGovern to only a medium volume of raspberries last summer when he attacked Proposition 13 as an act of "hedonism" by the middle class. The reviews that this statement received have, incredibly, virtually all (even Jerry Brown's) criticized the senator for misunderstanding the motives of the virtuous middle class. Not even one hand has been raised to applaud the South Dakotan for suggesting a connection between hedonism and Prop. 13. Yet this proclamation reveals that at long last our politicians are willing to understand the correct causality of government fiscal policy. Where we have been told since the emergence of Lord Keynes that high taxes and big government would put two pop-tarts in every toaster, it is now conceded that if "the people" really want more for their hedonistic selves, they can obtain it by giving the government wizards less. Folks have gotten the message that the politicians were right all along when they said that high taxes led to prosperity. The taxpayers have simply come to understand whose prosperity they were referring to.

—Thomas Winslow Hazlett

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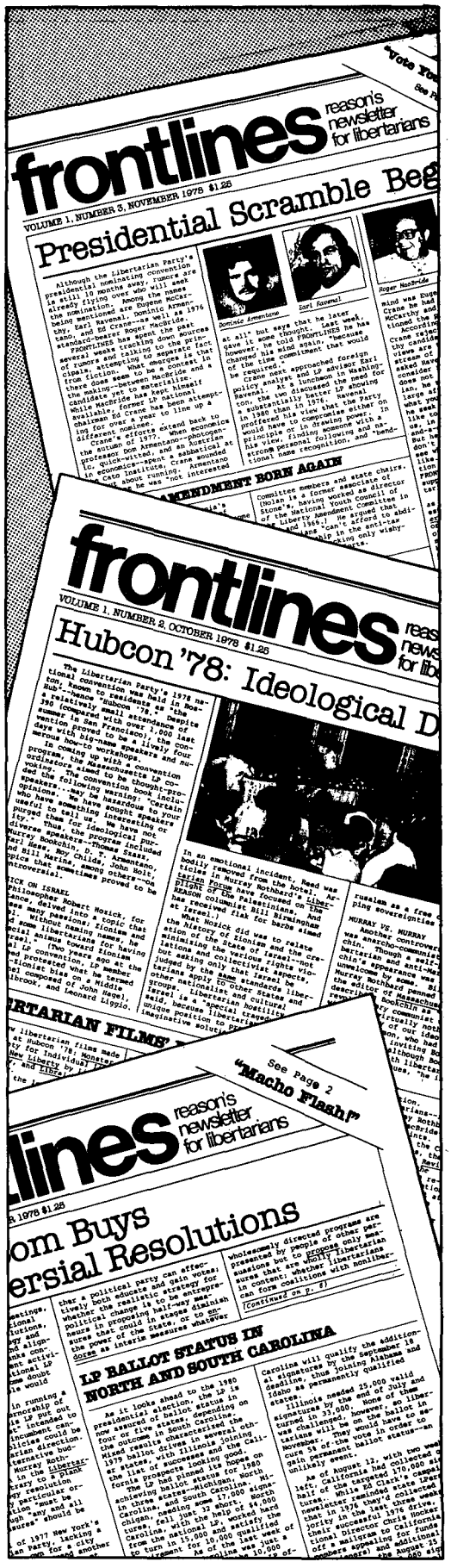

trends

Midwife Upheld

A California midwife, charged with murder in the accidental death of an infant in a home birth, has been set free, in a landmark court case. And the judge in the case defended the rights of the parents to choose their own form of medical care.

Midwife Marianne Doshi attended the home birth of the third child of Robert and Christine Gannage of San Luis Obispo. Due to complications, the infant died five days later, and though the parents did not wish to press charges, the county prosecutor filed a charge of second-degree murder (along with practicing medicine without a license) against Doshi. The case attracted much attention as a test of whether unlicensed midwifery—technically illegal, but growing in popularity—would continue to be permitted.

Judge Richard Kirkpatrick reviewed the case at the preliminary hearing and summarily dismissed all charges. The judge, known as a hard-line conservative for his frequent decisions in support of crime victims, told our reporter that "Marianne Doshi and the Gannage couple were the victims—they were victims of the American Medical Association." Citing the New Hampshire state motto "Live Free or Die," Judge Kirkpatrick's ruling emphatically upheld medical freedom of choice. People can choose "alternative" forms of care, he said, because "they have a constitutional right to do so." The prosecution did not appeal.

Exposing Safety Frauds

Ever since it was created in 1966, the National Highway Transportation Safety Agency has been forcing its idea of safety onto vehicle builders and consumers—with little regard for the costs of its proposals. Recently, however, the agency has suffered important setbacks on two of its pet projects: antilock brake systems for trucks, and air bags for cars.

The trucking industry took the NHTSA to court to overturn its requirement for the costly, computer-controlled braking systems. The Ninth Federal Circuit Court of Appeals agreed with the truckers that the braking standard "was neither reasonable nor practicable" and that "many vehicles equipped with antilock systems, which were necessary to meet the standards, were potentially more dangerous in performance than pre-standard vehicles." Partly, this was due to the unreliability of the complicated new devices. Late last fall the Supreme Court agreed. Drivers: 1, NHTSA: 0.

The agency has had better luck with its air bag plan, even though the 1984 requirement has been watered down to mandate either air bags or automatic seatbelts. But here, too, the evidence is mounting that air bags are both costly and ineffective. A DOT study of 230 tow-away crashes of cars equipped with air bags turned up four fatalities—*several times as many* as would have occurred with conventional lap and shoulder belts instead of air bags. When challenged in Congress on this finding, DOT Secretary Brock Adams dismissed the figures as not statistically significant. In fact, however, DOT's Office of Statistics and Analysis had concluded just the opposite, stating that "the high incidence of fatalities may be suggestive that the air bag is totally ineffective in fatality reduction." This report had been suppressed by the DOT but was released under the Freedom of Information Act as part of a suit by the Pacific Legal Foundation, which is challenging the air bag order and hopes to have it overturned.

Meanwhile, the former head of the Consumer Product Safety Commission has come out against air bags. The NHTSA campaign for air bags falls short of the administration's "own minimum requirements of truthfulness and full disclosure," said John S. Byington, because the public has not been told of the costs of air bags, their ability to protect only in frontal collisions, or the dangers of accidental inflation.

In fact, when consumers are told these facts, their support for the air bag requirement plummets from 47 percent to a mere 15 percent, according to a survey by Consumer Alert. The Connecticut-based organization conducted a nationwide survey to find out how closely the NHTSA's mandate reflects public sentiment. Apparently, most consumers prefer a choice in such matters. Drivers: 2, NHTSA: 0.

Gold Gains Backers

Why the soaring price of gold? It isn't just that investors worldwide are fleeing the falling dollar. More fundamentally, gold is returning to prominence as an international money—a store of value in a world of depreciating paper.

Last spring the International Monetary Fund eliminated its rule against central banks buying gold. Little-noticed at the time, the move led at least 39 countries to buy gold, among them India, Nepal, Kenya, Tanzania, and Mexico. India bought 800,000 ounces from the IMF in June, at $183 an ounce; it has been auctioning off small amounts as the price continues to rise. Major industrial countries have revalued their gold holdings from the old official rate of $35 an ounce up to market levels.

Further, the negotiations in Europe to create a new European Monetary System are increasing the official role of gold, by basing members' reserves on their gold stocks, figured at market values. "What we are seeing is gold in the process of being remonetized," says international money analyst Lou Ganz of Paine, Webber, Jackson & Curtis, Inc. Merrill Lynch gold analyst David Fitzpatrick agrees that "gold's role as a key reserve asset is once again being emphasized."

Like the man said—gold *is* money.

Freeing Conrail

As noted earlier in REASON ("How Federal Railroad Policy Got Derailed," September 1978), Conrail is in deep trouble. The federally chartered company patched together from six bankrupt railroads has been losing money steadily since its creation by Congress two and a half years ago. But now, at least, federal officials seem to be facing the facts—not only about Conrail's true losses but also about the causes.

Three major studies critical of the railroad have been released this year, one each by the Interstate Commerce Commission, the US Railway Association, and most recently by the General Accounting Office. The latter demolished Conrail's optimistic profitability projections and forecast a system loss of up to $3 billion over the next five years.

Department of Transportation officials are worried. They don't want to get stuck with ever-increasing subsidies. Nor do Conrail's managers. At present, though, they are stuck with an ungainly 34,000-mile snarl of trackage, much of which has far too little traffic to support it. Conrail's "Final System Plan" envisions selling off or abandoning about half of this mileage, to slim the system down to profitable routes. Whether northeastern politicians will stand for such drastic cutbacks, however, remains to be seen.

Administration officials—at USRA, DOT, and the White House—seem prepared to fight for major decontrol as the key to rescuing Conrail. A recent DOT study placed the major blame for the deterioration of American railroads on

decades of ICC regulation. Railroad managements have been hobbled, not only by control over their pricing policies, but also by massive subsidy of their competitors—truck lines (highways) and barge lines (waterways). As a result, says DOT Secretary Brock Adams, "the rail industry slowly cannibalized itself," eating into its capital stock and deferring badly needed maintenance. By 1985, he reported, the railroads will be $13 to $16 billion short of capital, unless something is done.

That "something" should include cutting back ICC regulation (especially rate regulation), allowing mergers that will restructure the industry for greater efficiency, and putting road, rail, and waterways on an equal competitive footing, said the DOT report. The USRA's new director, Stanton Sender, agreed with this prescription, as applied to Conrail, arguing that the company "has a fighting chance to survive if it is able to make changes" free of government regulation. Federal Railroad Administration head John Sullivan also agreed. If the railroads are to maintain safe operations, they must be free to earn enough to rebuild their decaying trackage and modernize their equipment.

Time summed it up aptly: "The best action that the Carter administration could take in support of the railroads would be to apply at least a measure of the deregulation flexibility that is already freeing the nation's soaring airlines from the fetters of federal bureaucracy."

Outspoken Poles

Despite 30 years of Communist rule, opposition to the ruling orthodoxy remains strong in Poland. In September, only weeks before Polish cardinal Karol Wojtyla was named Pope, he and Cardinal Stefan Wyszynski issued a pastoral letter calling for the end of censorship in Poland. The letter was signed by all the country's Catholic bishops and was read from church pulpits throughout the country. Besides urging the end of censorship of news media, the letter called for the State to allow the broadcasting of religious programs, including church services, and urged Catholics to make use of "other, more reliable sources" of information than those of the State.

Several weeks later a Polish sociologist shocked delegates to a world congress on alcoholism by linking alcohol consumption to socialism. Dr. Zbigniew Wierzbicki of the Polish Academy of Sciences Institute of Philosophy and Sociology cited statistics from a 1972 Finnish report showing that Poland, Russia, and Hungary rank first, second, and third, respectively, in per capita consumption of alcohol. According to Wierzbicki, the State encourages drinking because central planners have for some reason (?) kept boosting production quotas for booze. As a result, the number of liquor stores far exceeds the number supposedly allowed by law. In Lubarton, for example, there are 25 stores dispensing alcohol, compared with a "legal limit" of six.

Privatizing Outer Space

In an important policy development, the Carter administration has rejected proposals for costly new space ventures. Instead, it plans to scale down NASA budgets and turn over many operational roles to private industry.

These decisions were announced by President Carter at Cape Canaveral in October. Carter specifically rejected proposals that would have committed the space agency to developing solar power satellites, permanent space factories or space colonies, or a manned Mars mission. Any of these would have cost from $10 to $100 billion over the next decade. Instead, NASA will simply complete development work on the $10 billion space shuttle and then revert to a more limited role as a research and development agency. Its future budgets may shrink far below the present $4.3 billion level.

A key to holding down future budgets is to let private industry take over the operation of commercial-like programs such as Landsat (remote-sensing satellites) and the space shuttle. In recent congressional testimony, NASA's associate administrator for space transportation, John F. Yardley, broached the idea of one or more aerospace firms being hired to operate the shuttle, charging users for launch services. Yardley's deputy, Chester Lee, cited Comsat Corporation as a precedent for such a public-to-private transition.

But the Boeing Company wants to take the concept one step further. Rather than simply being hired to run the shuttle, Boeing would like to buy it and operate it as a fully private venture. Initial Boeing studies have shown some profit potential, and this winter the company is planning detailed studies on shuttle ownership and operation. The transition to fully private operations could take place within seven years, according to NASA sources. And *Aviation Week* states that "NASA senior management is generally in favor of concepts like Boeing's, because they free NASA personnel for what the agency wants to remain—a research and development agency."

Subway Blues

We've all heard the promises—grand, new subway systems will entice people out of their gas-hogging cars and whisk them to work, saving energy and decongesting downtown streets. Every modern city should have its own version of San Francisco's BART or Washington's Metro... or should it?

It turns out that this idyllic picture is a total fabrication. Today's new fixed-rail transit systems not only don't save energy and don't reduce auto congestion, but they also cost taxpayers a small fortune. According to figures compiled by the ACU Education and Research Institute, both BART and Metro are being enormously

subsidized by local taxpayers who don't ride the systems.

A typical BART commute from suburban Orinda to downtown San Francisco costs $6.77, including "social costs" to neighbors and interest on the agency's bonds. But, figured on a comparable basis, the total costs of the trip in a full-size car are only $4.49, in a subcompact $4.05, and only $3.21 on a bus. Excluding the "social costs," the average BART ride cost $4.48 in fiscal year 1975-76. Since the average fare was only 72 cents, the taxpayers had to make up $3.76 for each and every trip—more than five times the fare!

The highly touted Washington Metro is subsidized even more. During its first nine months of operation, with fares at 40 cents to 55 cents, each ride received a subsidy of $10.38—over *20 times* the fare. By 1981, the taxes paid by each household in the D.C. metropolitan area to subsidize the Metro will reach $1,670—enough to buy a good used car.

Besides costing nonusers a fortune, these subway systems neither save energy nor reduce congestion. Why? Because, surveys show, they draw most of their ridership from buses, not cars. Thus, they do very little to reduce the number of cars on the road. And a study by the Congressional Budget Office concluded that "under typical conditions, new rapid rail systems actually waste energy rather than save it." This is because construction of subways is enormously energy-intensive, subway riders still drive to and from the stations in low-occupancy autos, and the subways divert riders from much more energy-efficient buses.

Despite this damning evidence, the federal government is still promoting subways as a panacea for what ails big cities. Atlanta's is already under construction, and others are on the drawing boards in Baltimore, Buffalo, Los Angeles, and Miami. The Urban Mass Transit Administration was recently voted another $13.5 billion to spend during the next few years. So it looks as if subways will continue to displace buses and absorb huge amounts of tax money in the years ahead.

FCC Eases Some Regs

In anticipation of legislative moves to deregulate communications, the Federal Communications Commission has made a number of small steps in that direction.

Fcc chairman Charles Ferris recently proposed a pilot test of virtually complete deregulation of radio stations. Under the plan, still being drafted, nearly all FCC radio regulations in selected test cities would be abolished and the results observed. Among the rules likely to go are the commission's guidelines on how much time broadcasters can devote to news, entertainment, and commercials; the requirements that stations cover controversial issues; and mandatory surveys of the "problems, needs, and interests of the community." Ferris expects to have the plans for the test completed by Christmas and the pilot program in operation by next fall.

In the area of long-distance telecommunications, the FCC has made a move toward increased competition in satellite communications. Reversing a long-established policy, it voted unanimously to permit Comsat to deal directly with customers for television signal transmission, instead of serving as a "carrier's carrier" dealing only with AT&T, IT&T, RCA, and Western Union. The decision is expected to lead to expanded competition between Comsat and the other four international carriers.

In cable TV the commission has moved toward deregulation in two instances but against it in another. On the negative side, it has appealed to the Supreme Court a lower-court ruling that overturned the commission's "public access" rules (see Trends, May 1978). On the other hand, it has abolished two regulations that had significantly hampered cable's growth: one that required prior FCC approval of initiating, changing, or expanding any cable service, and the other severely restricting the ability of cable systems to import distant signals from independent stations in far-off cities. Under its 1972 regulations, the FCC set ceilings on the number of independent stations a cable system could offer.

What is happening at the FCC appears to parallel the first steps the CAB took when a serious deregulation bill first appeared in Congress. If the agency follows in the CAB's footsteps, telecommunications users—and that means all of us—are in for some lively years of changes.

IRS: 2, Taxpayers: 1

In several recent cases, tax protestors have challenged the Internal Revenue Service, using arguments that have been promoted as sure things. Well, some of them turn out not to be.

Heard about the silver-coin ploy? Accept payment in old-style (pre-1964) silver coins and report only the face value for tax purposes. After all, the coins are still legal tender, right? Wrong, says the IRS. The coins must be valued at the market price. This issue has apparently not yet been litigated, though.

One that has been is the "selective prosecution" argument. Richard Ralston Catlett—a "notorious war and tax protestor" from Columbia, Missouri—argued that it was constitutionally impermissible for him to be singled out for prosecution because of his antitax views and actions. No way, ruled a federal appeals court. "The government is entitled to select those cases for prosecution which it believes will" promote compliance, said the court—free speech notwithstanding.

But taxpayers won one round. When the government sues a person to collect taxes, is the person entitled to a jury trial as a matter of right? Though the IRS said no, the 10th Circuit Court of Appeals said yes. The right to a jury trial in tax-collection cases is one that existed under English common law when the Seventh Amendment was adopted—hence, today's taxpayer is indeed entitled to such a trial.

Milestones

• *No-Iron Bread.* The Food and Drug Administration plan to double the amount of iron required in enriched flour, bread, and bread products has been quietly shelved. Evidence from Sweden had raised questions about the safety of high levels of dietary iron intake for males, so this particular proposed dose of forced medication has now been put to rest.

• *Private Nursing.* Who runs the least-expensive nursing homes? If you guessed nonprofit organizations or churches, you're wrong. You're also wrong if you guessed the government. According to a nationwide survey by the National Center for Health Statistics, it is private, profit-making nursing homes that charge the least. Their average monthly charge is only $641, compared with $722 for nonprofit homes and $669 for all types of nursing homes.

• *Insanity Defense Knocked.* Allowing criminal defendants to plead insanity is nothing but a charade, according to psychologist Stanton Samenow. Commenting on the Son of Sam case, Samenow referred to his 17 years of research with "criminally insane" prisoners. In 8,000 hours of interviews with 255 male criminals, including many killers, his research team never found one person who was so out of touch with reality that he did not know what he was doing when he committed the crime. Street-wise criminals know that by convincing a court and a psychiatrist that they're insane, they'll be sent to a hospital instead of a prison—and that "if you play the psychiatric game, you can get out sooner and beat the charge."

• *PSROs Knocked Again.* Professional Standards Review Organizations, already under fire from OMB as ineffective, have now been attacked by the General Accounting Office. GAO says claims that

PSRO's have saved money and improved medical care are "grossly exaggerated." GAO has studied the performance of a number of the boards and found every claim of savings to be inaccurate and overstated. Existing PSRO's are costing taxpayers $150 million a year, and the Office of Management and Budget recently called for their elimination as a waste of money.

• *Energy Competition.* Although some politicians wish to forbid oil and nuclear fuel companies from owning coal mines, such a move would not only *not* enhance competition, it would actually be "fundamentally anticompetitive." So says a 133-page report by the Justice Department's Antitrust Division. The entry of oil and nuclear firms into the coal business could provide considerable new competition in that industry, rather than leaving it in the hands of a few large coal firms. Another populist fantasy bites the dust.

• *Prescription Grass.* Illinois has become the second state to decriminalize the use of marijuana for medical usage. Under a bill signed by Gov. James R. Thompson, as of January 1 cancer patients and victims of glaucoma will be able to use marijuana under a doctor's supervision. New Mexico enacted similar legislation last February.

• *Rent Control Out.* In a unanimous decision, the New Jersey Supreme Court has ruled unconstitutional the rent control ordinance of the city of Ft. Lee. The measure's 2.5 percent ceiling on rent increases was confiscatory and constituted an unfair taking of landlords' property, the court ruled. The decision is especially significant because the Ft. Lee ordinance has been the model for about 120 other New Jersey communities. Presumably, these other rent control measures are now also out the window.

• *The Winner? No One.* In the September primary elections, Nevada's recently enacted "None of the Above" ballot law received its first test. And proved to be a winner. In a race among three candidates for the state's sole seat in the US House, None of the Above collected the most votes. Back to the drawing board, turkeys!

• *Bypassing the Mails.* The latest defector from the US Postal Monopoly? None other than the US Government Printing Office. When faced with a strike threat, GPO switched to United Parcel Service to send out all orders for government documents to libraries east of the Mississippi —an area that includes 71 percent of the country's libraries. A GPO official told UPI: "The Postal Service is a little upset, but we now expect to save between a quarter and a half a million dollars in depository shipment costs...in the first year." Not only that, but "there are fewer damaged packages and we are enjoying fewer missing shipments, and when we report them they find the missing shipment immediately." As they say, the customer is always right...even if the customer is the US government.

• *Further Soviet Boycott.* More high-level scientists have boycotted the USSR because of its restrictions on freedom of inquiry and expression. Seven leading chemists, from universities like Cal Tech, Stanford, and Dartmouth, withdrew from the International Symposium on Macromolecular Chemistry held in Tashkent in October. Their letter to the organizing committee cited repeated "violations of the rights of scientists" and urged their Soviet colleagues to prevail on their government to change its policies.

• *Laetrile Tests.* The National Cancer Institute has finally agreed to conduct clinical trials of the controversial drug laetrile, long banned by the FDA. The NCI hopes to begin treating between 150 and 300 terminal cancer patients with the drug in January. FDA director Donald Kennedy promised to decide "as quickly as possible" whether to grant the NCI the necessary permit to conduct the tests.

—Robert Poole, Jr.

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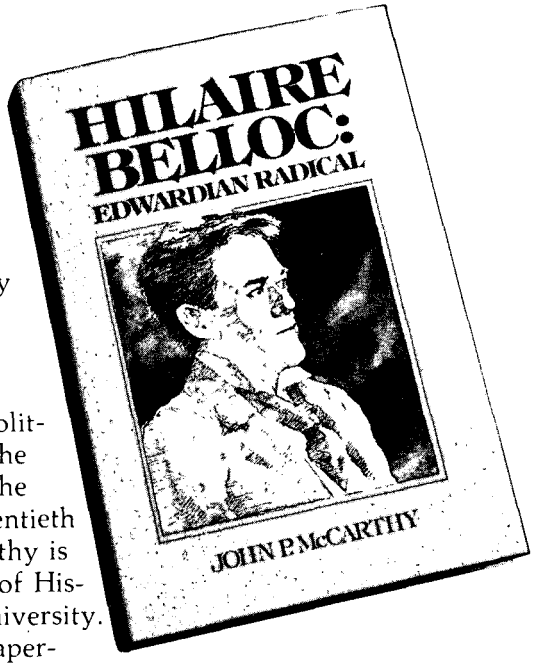

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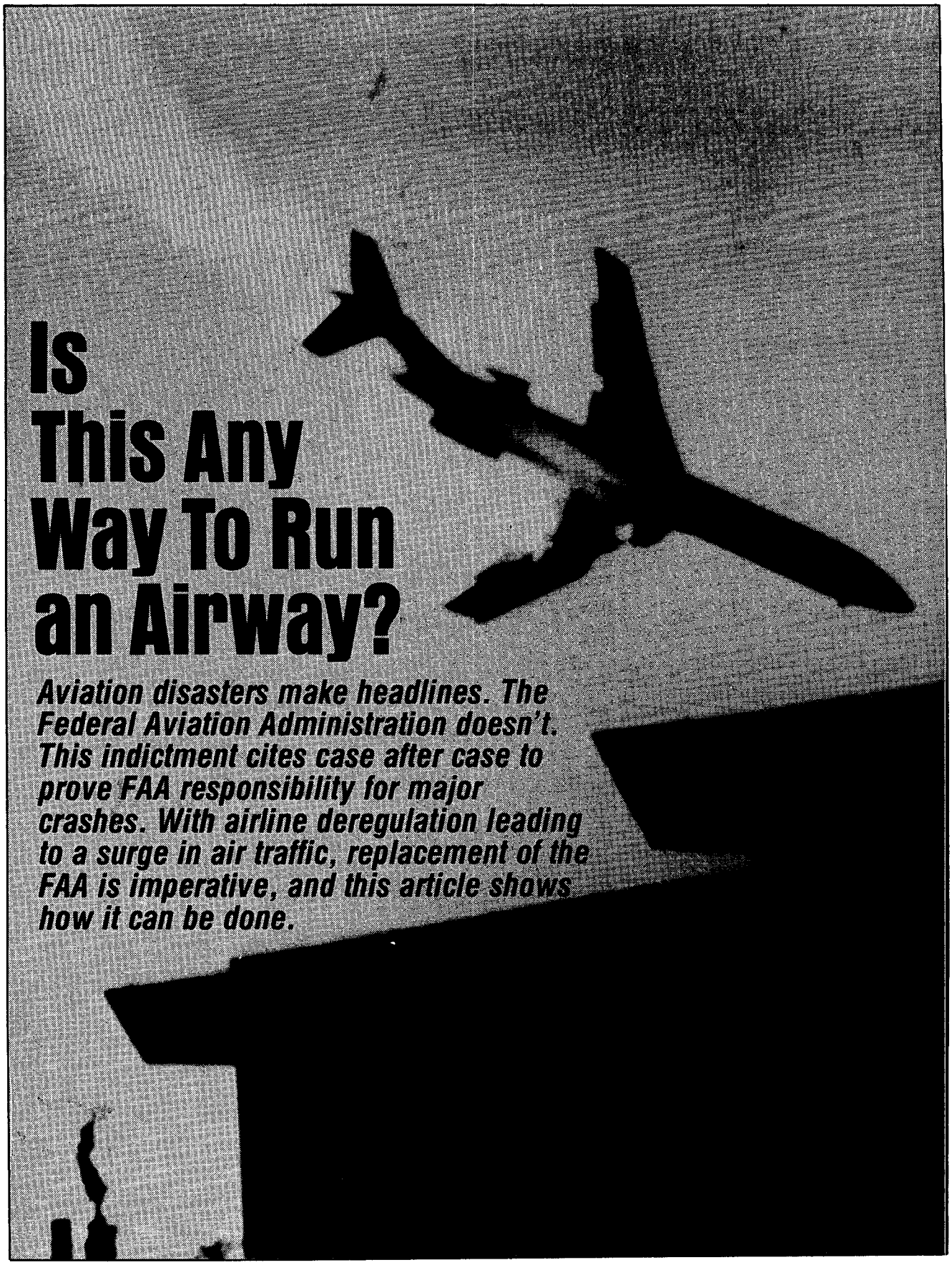


Is This Any Way To Run an Airway?

Aviation disasters make headlines. The Federal Aviation Administration doesn't. This indictment cites case after case to prove FAA responsibility for major crashes. With airline deregulation leading to a surge in air traffic, replacement of the FAA is imperative, and this article shows how it can be done.

UPI — H.E. Wendt

by Robert Poole, Jr.

On December 1, 1974, TWA Flight 514 approached Dulles International Airport outside Washington, D.C. Although it was morning, stormy weather conditions required an instrument approach. At 11:01 the FAA's en route controller cleared the flight to descend to 7,000 feet and contact Dulles approach control. The captain complied, making contact with the FAA center that handles takeoffs and landings. After the captain reported being level at 7,000 feet, the controller said, "TWA 514, you're cleared for VOR/DME approach to runway 12." Acknowledging the clearance, the captain let down the landing gear and told his first officer, "1,800 is the bottom." The first officer began the descent to 1,800 feet, as indicated on the approach profile chart.

Studying his charts while the 727 descended, the captain pointed out that on his plan view *chart, 3,400 feet—not 1,800—was specified as the minimum altitude. But then, in response to the first officer's query, he affirmed, "When he [the controller] clears you, that means you can go to your initial approach altitude," which was 1,800 feet. "Right," agreed the flight engineer.*

Suddenly the altitude alert horn sounded—once, then again. A glimpse of the ground appeared through the rain. The first officer shoved the throttles forward. The altimeter warning horn gave a sharp blast. "Get some power on!" shouted the captain. The horn sounded again. At 11:09:22 Flight 514 plowed into 1,700-foot-high Mount Weather, 25 nautical miles northwest of Dulles. All 85 passengers and seven crew members were killed, and the Boeing 727 was destroyed.

The National Transportation Safety Board's investigation of the crash raised serious questions about the adequacy of the nation's air traffic control system, operated by the Federal Aviation Administration. To begin with, the altitude restriction due to Mount Weather was shown on only one of the pilot's two charts. And the controller had cleared the pilot to descend without mentioning any altitude restriction. In defending its controller, the FAA maintained that, because the flight was not considered a "radar arrival," the controller was not required to warn the pilot of any altitude restrictions. Thus, the controller's instruction of "cleared for the approach" meant, to the controller, "Take care of yourself." Yet, as the NTSB pointed out, "It has become commonplace to clear pilots to descend below the altitudes published on the terminal area... and instrument approach charts." A pilot will therefore tend to disregard a charted minimum if he has received an approach clearance without an altitude minimum.

Further, such key terms as "cleared for approach" and "radar arrival," according to the NTSB's findings, "have no established definitions and mean different things to controllers and pilots." A number of pilots, including the chief of the Air Force instrument flight center, testified that if they had received Flight 514's clearance, they would have descended to 1,800 feet as well. (Ironically, six weeks before the TWA crash, another flight approaching the same runway had received the same clearance and had made the same response—fortunately, close enough in to have missed Mount Weather. The crew reported the incident to their airline management as a safety problem, but the FAA itself had no procedure or system for reporting such unsafe conditions or incidents.) *The NTSB concluded—39 years after the federal government took over responsibility for air traffic control—that "it is essential that a lexicon of air traffic control words and phrases* be developed *and made available to all controllers and pilots."*

* * *

Earlier in 1974, on March 3, a Turkish Airlines DC-10 operating as Flight 981 took off from Orly Airport in Paris. As it reached 13,000 feet an improperly fastened rear cargo door blew off, leading to explosive depressurization of the fuselage. The force of the rapidly exiting air caused the cabin floor to collapse, severing all control cables to the vertical and horizontal tail surfaces. Hopelessly out of control, the plane dived for the ground, crashing at nearly 500 miles per hour into the pines of Ermenonville Forest, 23 miles northeast of Paris. All 334 passengers and 12 crew members lost their lives.

The McDonnell Douglas DC-10 design had been certificated as "airworthy" by the FAA on July 29, 1971. This official governmental seal of approval meant that the giant plane complied with Part 25 of the Federal Air Regulations, which imposes minimum design standards for transport category aircraft. As such, it could legally be used in commercial service—and be insured.

Yet unbeknownst to aviation insurers—or to DC-10 passengers—even before the plane was certificated, a battle over the cargo door had been raging behind the scenes. On May 29, 1970, 93 days before the DC-10's first flight, a fuselage pressure test failed when the aft cargo door blew out. The manufacturer's "fix"—a small vent door within the cargo door, designed to prevent pressurization if the door were improperly latched—was approved by the FAA. (The agency's certification board misunderstood how the vent door operated, however, erroneously believing it to be a pressure-relief mechanism, which it clearly was not.)

Once the DC-10 entered airline service, operators began experiencing trouble closing the door properly. McDonnell Douglas issued a series of Service Bulletins to all DC-10 operators recommending various modifications aimed at making sure the door would be properly closed. But the initial "fixes" were not fail-safe. The cargo door could be forced closed without *being properly latched, and the cabin could still be pressurized. This is what had happened to American Airlines Flight 96, a DC-10 that departed Detroit on June 12, 1972. Climbing out at 11,700 feet over Windsor, Ontario, the improperly latched cargo door blew out, collapsing the rear floor and cutting the vital control cables. Miraculously, the flight crew was able to regain control using only engine thrust and ailerons, bringing the crippled plane in to an emergency landing.*

When a life-threatening safety defect is discovered, the FAA has the power to issue an Airworthiness Directive (AD), an order requiring all operators to make the necessary fix. After the Windsor incident, the FAA's western regional office prepared an AD mandating design changes to make the door fail-safe. But by order of FAA Administrator John Shaffer, the AD was never issued. To spare McDonnell Douglas and the airlines bad publicity, a "gentleman's agreement" was worked out whereby the company would issue an Alert Service Bulletin recommending *various fixes. Nearly two years later, the DC-10 that crashed in Paris was found to lack a key part called for by the Service Bulletin—a part that would have prevented the door from being forced closed, as it was the day of the crash.*

PSA Flight 182 plunges to earth in flames, after colliding with a single-engine Cessna 172, September 25, 1978. All 135 on board the 727 died, as did nine others. Although the National Transportation Safety Board had not completed its investigation at press time, the Federal Aviation Agency is clearly at fault. Blending small planes' head-on practice runs with jetliners' landings on the same runway has been prohibited by the agency at other busy airfields—but not at San Diego.

THE CRASHES just described—as well as the recent San Diego collision of a 727 and a private plane—illustrate serious FAA failures in carrying out its two principal functions: operating the air traffic control system and ensuring the safety of aircraft design, maintenance, and operation. How well these tasks are carried out is, literally, a matter of life and death. It is generally taken for granted that unless the government looked after these aspects of aviation, there would be chaos and carnage in the skies. Yet many aviation observers maintain that we *have* chaos and carnage in the skies today, not in spite of the FAA's efforts, but *because* of its incompetence. Once we see, however, what the FAA is responsible for and how it operates, it becomes clear that there are other ways to get the job done.

How did the federal government get the job of trying to guarantee safety and order in the skies? After World War I there was a glut of surplus biplanes, and everyone who could scrape together a few dollars and some gasoline wanted to get into aviation. The general public and the insurance industry could hardly be blamed for considering the whole field rather frivolous. Indeed, aviation's image problem was the major concern of serious enthusiasts of the 1920s and 1930s—and led ultimately to federal involvement.

Aviation's first trade group, the Aeronautical Chamber of Commerce (later to become the Aircraft Industries Association), asserted in its 1921 *Aircraft Year Book* the need for "proper legislation" to "assure capital that it is entering a business project instead of a romantic adventure." Further, the group noted that "rates of insurance are likely to remain unsatisfactory so long as no competent federal agency exists to determine the airworthiness of craft or the competency of pilots."

Aviation enthusiast Herbert Hoover, then secretary of Commerce, became the industry's chief advocate within the government, drafting a bill that year to set up in his department a bureau to regulate the new industry. The proposed bill made the Commerce Department responsible for designating and maintaining all public and commercial air routes, inspecting and licensing aircraft and pilots, and establishing and administering rules of the air.

But the bill languished in Congress for five years. During this time the Army Air Service set up an Airways Section that attempted to fill the vacuum. Its involvement was justified, in part, by the federal government's airmail operations—first in government planes, and from 1925 onward via private operators under contract to the Post Office. The Air Commerce Act of 1926, Hoover's long-tended bill, finally established "federal sovereignty" in the airspace of the United States, laying the basis for today's FAA.

From 1926 until 1938 the Bureau of Air Commerce established by the act laid out airways between various cities, installing lighted beacons and emergency landing fields along each one, publishing maps, and setting up radio and telegraph stations to make weather information available at airports. By the early 1930s airborne radios were being added to planes, and the first radio-based "blind landing" system was tested by the bureau in 1934-35. By 1935 several airlines had begun developing a means of traffic control at the Newark, Cleveland, and Chicago airports; the next year, this function was taken over by the bureau.

In 1938, after several years of depression-era lobbying, the federal government provided an economic bail-out for the struggling airlines: the Civil Aeronautics Act of 1938. This law converted the Bureau of Air Commerce into the Civil Aeronautics Authority, with greatly expanded powers. Besides the traffic control and safety functions, the new agency was given vast economic powers—to assign specific airlines to specific routes so as to minimize "destructive" competition, to limit entry to the industry, to regulate fares, etc.

The FAA is a classic bureaucracy, stumbling along from crisis to crisis, pressured by lobbyists, harassed by politicians, seeking protection in the bowels of the civil service system.

Two years later these economic regulatory powers were split off into a separate Civil Aeronautics Board (CAB), while the air traffic and safety functions remained in what was renamed the Civil Aeronautics Administration (CAA). The CAA was kept within the Commerce Department until 1958 when, in the wake of a spectacular midair collision over the Grand Canyon, it was reorganized as the Federal Aviation Agency (FAA) and made independent. In 1967 it was incorporated into the new Department of Transportation and its name changed to the Federal Aviation Administration.

AIR TRAFFIC CONTROL and air safety certification are the FAA's two main functions. Nearly half of its 60,000 employees are involved directly in air traffic control (ATC) operations. They staff some 423 airport control towers, 25 air route traffic control centers, and 347 flight service stations. Another 10,000 technicians and engineers install and maintain the various radars, instrument landing systems, and navigation aids (such as VOR radio navigation beacons).

Nearly all airline flights and some general aviation (private) flights operate under instrument flight rules (IFR) at all times. This means they must file a flight plan with the FAA and are kept track of from takeoff to landing by the ATC system—although, as the crash of TWA 514 demonstrates, this "positive control" is sometimes less positive than the FAA would have us believe. All airspace around airline airports and above 18,000 feet is under FAA control and must be flown IFR. Outside of this airspace, general aviation aircraft may fly by visual flight rules (VFR)—essentially, on a "see and be seen" basis; VFR pilots receive flight briefings and weather reports from the FAA's flight service stations but are otherwise on their own. Since many IFR flights operate below 18,000 feet, there is an obvious potential for conflict between VFR and IFR traffic—a conflict the FAA has not been able to resolve.

Besides operating the ATC system in an attempt to avoid collisions and crashes, the FAA carries out the remainder of its safety functions by means of licensing and certification. All civil aircraft operated in the United States must be certificated as airworthy by the FAA. The agency maintains several detailed books of minimum design standards—such as Part 25 for commercial transports—against which each new aircraft is measured. Theoretically, FAA inspectors are involved at all stages of aircraft design and testing; in practice, however, the major manufacturers carry out most such inspections themselves on a kind of honor system. Under the system known as delegation option authority (DOA), "the manufacturer makes a finding of compliance with the applicable regulations without full participation of the FAA." Critics charge that the DOA system builds in an unacceptable conflict of interest.

Once an aircraft is certificated, the FAA is also concerned with its safe operation. All commercial airlines must operate FAA-approved maintenance programs, in which all work must be signed off by an FAA-licensed mechanic. Everyone else involved in operating the aircraft—pilots,

flight engineers, navigators, dispatchers—must also be licensed by the FAA. Various volumes of the Federal Air Regulations (FARs) set forth the requirements for different types of licenses—for example, the basic pilot categories of student, private, commercial, and airline transport. The FAA also licenses pilot and mechanic schools and instructors. Pilots must pass periodic medical exams to keep their licenses, and airline pilots must fly with an FAA check pilot once each year.

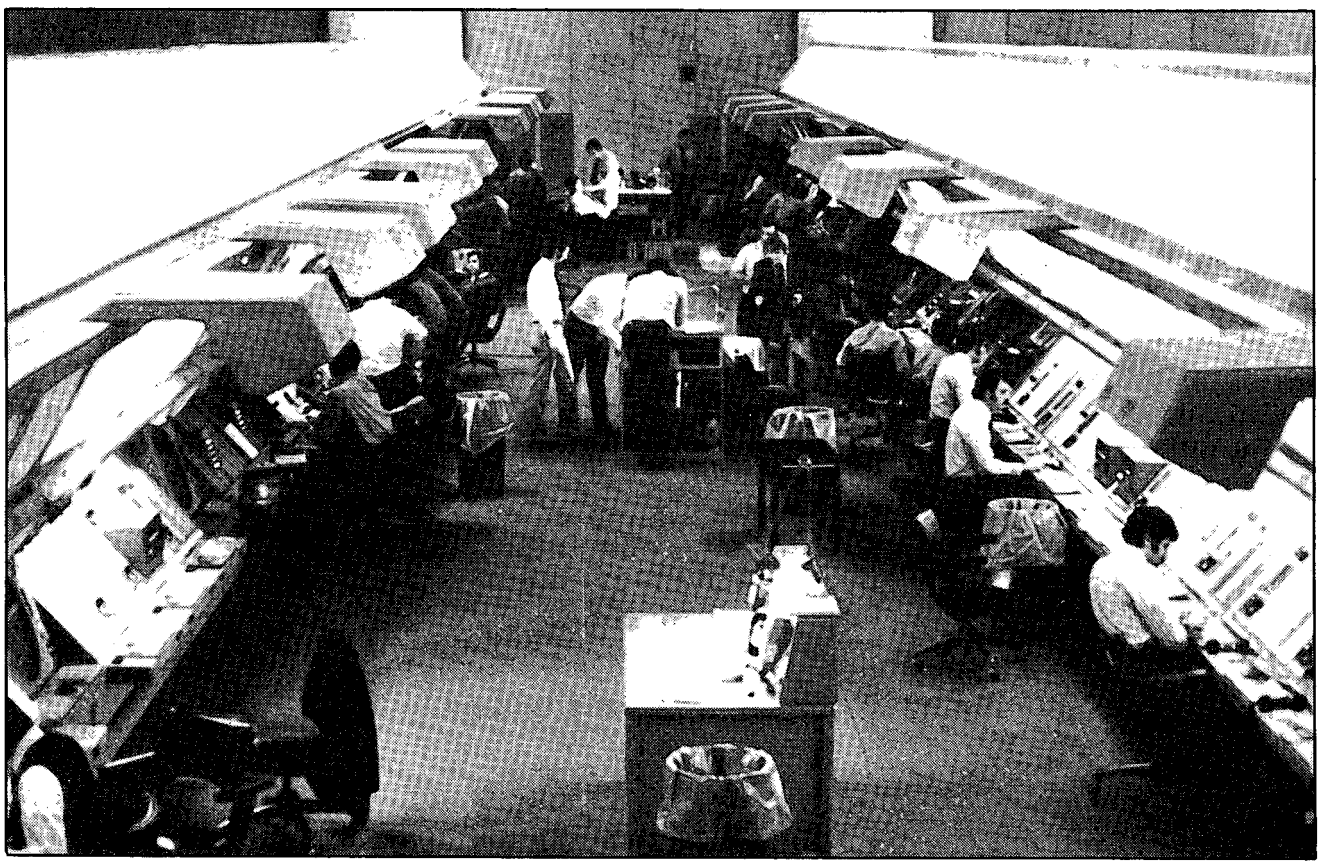
In 1970 the FAA received a new certification mandate—airports. Under the Airport and Airway Development Act of 1970, it was authorized to issue operating certificates to air carrier airports; 500 larger airports were certificated in 1973 and 400 smaller ones in 1975. Those airports receiving federal funds under the act are supposed to comply with FAA-issued safety standards, but half of the 500 large airports "had to be given temporary exemptions from some of the requirements, mostly for fire fighting and rescue equipment," in order that airline operations could continue past the certification deadline set by Congress. The act established a system of user taxes to build a trust fund for modernizing airports and the ATC system. The FAA now administers the trust fund, parceling out grants to airports and purchasing new air navigation equipment.

Besides these major functions, the FAA has responsibility (shared with the Environmental Protection Agency) for regulating aircraft noise and engine emissions and supervises the anti-hijacking efforts of the airlines. In addition, it operates two airports serving Washington, D.C.—Dulles International and Washington National.

READING THE FAA's brochures, one gets the impression that the ATC system is a smoothly functioning technological marvel. Talking to pilots, controllers, and others in aviation produces quite a different picture. What emerges is a description of a classic bureaucracy, unable to keep up with technological change, wasting resources, stumbling along from crisis to crisis, pressured by lobbyists, harassed by politicians, seeking protection in the bowels of the civil service system. "Even the other federal agencies look down their noses at the FAA," says one long-time air safety expert, "because it's filled with incompetents who don't know how to manage."

Apparently, this has been typical of the FAA/CAA throughout its history, and especially so since World War II. The war produced major technological advances in communications and electronics—most notably, radar. Keeping modern jet aircraft safely separated and operating in all weather conditions would be unthinkable without radar. Yet the CAA resisted the implementation of radar until the mid-1950s. Even today (as the case of Flight 514 brought out) radar is not the primary control device in the ATC system; even at jet speeds and with today's high levels of traffic, the pilot in all cases is still supposed to look out for himself.

Bureaucratic safety rhetoric aside, the agency's primary spur to action has been crashes, not a desire to take advantage of new technology as it becomes available. Radar technology in the early 1950s made it possible to keep aircraft under "positive control" in busy airspace. Yet it took the spectacular midair collision of a TWA Constellation and a United DC-7 over the Grand Canyon in 1956 to get the CAA to institute positive control above 24,000 feet—and then only during restricted



Federal Aviation Administration

Operations room of an FAA Air Route Traffic Control Center. Twenty-five of these centers keep track of all air traffic operating under Instrument Flight Rules (IFR). The majority of controllers at these centers and at airport control towers would rather work for a private corporation than for the FAA.

visibility. Several midair collisions later, in 1958, the CAA stiffened the rules to require all traffic between 17,000 and 35,000 feet, on certain routes, to file IFR flight plans, regardless of the weather. Yet gaps in the system remained. In 1960 a TWA Constellation and a United DC-8 collided over Staten Island while one was approaching La Guardia and the other Idlewild (now JFK). Inadequate communication between the airport approach controllers was blamed for the crash, leading (finally) to a system of positive radar transition between en route and approach control centers, and later to a common approach control center for all three New York area airports. It was not until a 1965 midair over Carmel, New York, that positive control of all airspace over 18,000 feet altitude was instituted by the FAA.

This lurching from crisis to crisis would have been quite unnecessary had the CAA/FAA followed the high-caliber technical advice made available to it by a succession of industry/government technical advisory committees. Beginning with the Radio Technical Committee for Aeronautics, in 1948, and continuing with the Huff Committee in the 1950s and the Alexander Committee in the late 1960s, these high-powered bodies have laid out an evolutionary plan for making full use of the state of the art in communications and electronics to produce an ATC system adequate to the task. The CAA/FAA has paid lip service to these reports and adopted portions of their recommendations, but its overall response has been too little, too late.

In 1962 the FAA came up with a 10-year plan for automation of the ATC system. With a congressional mandate to accomplish the task within 10 years, the FAA plowed ahead, basing the system on IBM 7090 computers—which even IBM protested would be obsolete by the time they were installed—and Raytheon radar displays of a relatively unproven design. Rushed into service under severe time pressure, the system's many hair-raising failures were soon legendary. It became standard procedure to shut down the system entirely whenever the president's Air Force One was flying, relying instead on the obsolete (but more reliable) manual system.

Throughout the 1950s and 1960s, air traffic volume grew by leaps and bounds. The number of airports receiving commercial service rose substantially. Yet many of them remained unequipped with such essential safety features as Instrument Landing Systems (ILS) and radar. During the decade from 1962 to 1971 there were 20 fatal accidents involving nonprecision landings (those without proper instruments) at air carrier airports; nearly 700 people died in those accidents. In some cases the airports involved did not yet meet the FAA's arbitrary criterion for the minimum amount of traffic needed to justify an ILS installation. In other cases, the criteria had been met, but FAA budget priorities meant the agency had not yet gotten around to installing an ILS. As of 1971 only 20 percent of the runways of this country's 530 airline airports had complete ILS systems, and only two-thirds of them even had control towers.

An ILS costs several hundred thousand dollars. Until the airport/airways trust fund was set up in 1971, the FAA continually cried poor-mouth as its excuse for not installing more landing aids. Yet in 1968 Rep. Fletcher Thompson of Georgia pointed out that the FAA in a three-year period had spent $3 million on renting airplanes, over and above its own 100-plane fleet. That would have bought many an ILS. In 1971 the FAA's plan to modernize and enlarge its private fleet called for spending $123.5 million—a sum that would have financed ILS installations at over half the remaining unprotected airports.

Skimping on life-saving landing aids while enlarging its private fleet is all too typical of the FAA's priorities. The agency justifies its fleet primarily on the grounds that it is needed for continually checking the performance of the thousands of navigation aids (primarily VOR stations) across the country. Yet aviation experts point out that most such devices either work or don't work—their performance characteristics change very little over time (unless some new terrain obstruction were to appear suddenly and block the VOR signal pattern). Hence, their on-off status can be monitored remotely on the ground. The FAA's monitoring flights consume huge amounts of fuel ($5.6 million worth in 1974), and in many cases interfere with traffic patterns, causing increased risk of collisions. But what bureaucracy could resist the prestige of having its own air force?

Today the FAA is installing a new generation of automation at its en route ATC centers. Called radar data processing (RDP), the new system utilizes narrowband radars interfaced with a sophisticated computer system. The computer generates a comprehensive set of symbols to represent each aircraft on the controller's scope—flight number, altitude, transponder code, etc. The system concept is a good one. Unfortunately, RDP has been put into operation at many centers without adequate testing and debugging—and without backup computers. Controllers' scopes go blank without warning. Symbol generators quit working.

"I wish I had a dollar for every time the radar has quit," says controller Mike Rock. "I have seen radar fail in two or three sectors at one time. This means that approximately a hundred planes are in danger of colliding." During a one-month study period in 1974, 11 near-misses that resulted directly from problems with RDP were reported to the Aviation Safety Institute. "The probability for a midair accident of major magnitude will increase unless the FAA takes positive action to correct problems and decelerate implementation of...RDP," stated ASI's John Galipault in 1975. His view remains the same four years later.

Yet the system the FAA is trying to perfect lags years behind what today's technology permits. Much of the problem of congested airways is created by the old-style navigation system still in use. It consists of thousands of VHF omnidirectional radio transmitters (VOR stations) at known locations. Instruments on board the plane permit a pilot to fly on a "radial" from one VOR to another, thereby getting from City A to City B by zigzagging from one VOR to the next. Mathematically, knowing the distance and angle from more than one VOR makes it possible to pick *any* course to fly—not just a radial path from one VOR to the next. What's needed is an on-board computer to make the necessary calculations. This technique, known as area navigation (R-NAV), vastly expands the amount of airspace available to planes on a noninterfering basis. Prototypes of R-NAV equipment have existed for more than 20 years, and operational systems have been available for over a decade. Yet the FAA's ATC system—despite billions spent on automation—is still not equipped to handle large numbers of pilots setting their own courses, off the time-honored VOR radials.

What have industry observers said of the FAA's performance as manager of the ATC system? In 1970 Robert Hotz, respected editor of *Aviation Week*, summed up the FAA's ATC progress over the decade of the 1960s, finding that an automated ATC system "appears to be as far away as ever from its 1961 goals." Why? For one thing, there is the "technical incompetence and slothful leadership of the FAA and its predecessor agencies" and "the swarms of veteran airways employees who came into the agency in the era of lighted beacons and low-frequency ranges and have added

little technical knowledgeability since then." The FAA bureaucracy, said Hotz, "has frustrated the airlines, exasperated the Congress to the point where funding has been reluctant, virtually driven the avionics industry out of the market, and concentrated primarily on its self-serving preservation."

An investigation that same year by the House Government Activities Subcommittee noted that the "FAA as an organization has more independent empires than medieval Europe.... [It] lacks any feeling of urgency. The FAA simply does not move forward. All too often in the past, progress has been the result of tragedy." And as a political entity, the FAA can avoid accountability for its failures by blaming prior administrations. Between 1961, when the automation program began, and 1970 there were *four* FAA administrators, "none of whom can be held responsible for the failures of his predecessors," noted Hotz.

THE FAA WOULD HAVE US believe that things have changed in the 1970s. Certainly the agency's PR efforts have improved. But in 1975, in the wake of the crash of TWA 514, a 10-man task force appointed by Transportation Secretary Brinegar reached many of the same conclusions Hotz did, albeit phrased in bureaucratese. The FAA's headquarters operation is "large and unwieldy and may serve as a detriment to FAA's performance of its safety mission," they concluded. The agency's rule-making process is "cumbersome and burdened with delays," and there is a "scarcity of top-flight technical talent." Its advanced technology program is "relatively immediate and short-term in outlook"—that is, it fails to come to grips with fundamental long-range changes such as implementing R-NAV. And the Brinegar report pointed out that the FAA's dual role—as both operator of the ATC system and safety regulator—requires "completely different technical skills," implicitly raising the question of whether the FAA should continue with air traffic control.

Considering that the executive secretary of the task force was the acting FAA administrator, and that its members were all from the federal government, the mild tone of its criticisms is understandable. Similar phraseology characterized a 1976 report by the General Accounting Office, which faulted the FAA for serious planning and management difficulties (for example, for not knowing whether planned improvements in the ATC system were actually worth what they would cost).

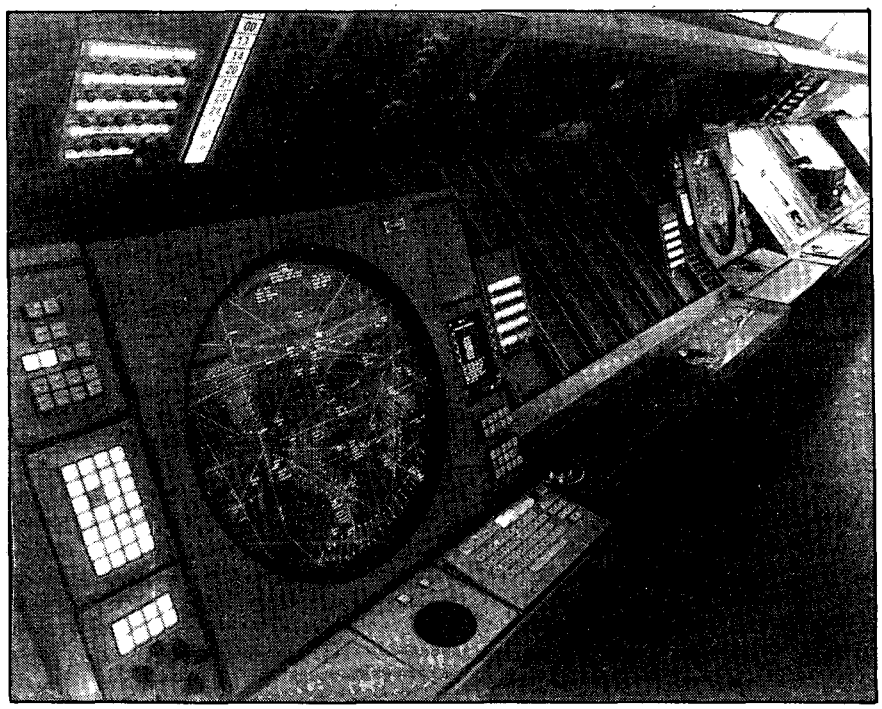
No such restraint marked the report of another group appointed by the FAA in 1975—the Special Air Safety Advisory Group (SASAG), consisting of six retired airline pilots. Its purpose was to determine what could be done to prevent further crashes like that of Flight 514, especially during the approach and landing phase. After observing 600 flights on 27 airlines and talking to controllers, pilots, and support personnel, SASAG submitted its findings in July 1975. "New hazards have developed which are a product of the very systems designed to make flying safer," they reported. "Attempts to compensate for natural deficiencies sometimes have brought on additional unrealistic rules or procedures, rather than technological improvements."

Commenting on FAA approach procedures, SASAG termed them "hopelessly complicated, impractical, and contradictory," quoting one pilot to the effect that terminal area maneuvering "is a sophisticated game of blind man's bluff, and the only real protection the crew has is common sense." Nonstandard terminology was frequently observed, as in the case of Flight 514. It was found that up-to-date information on hazardous weather was often not provided to flight crews.

But it was the ATC system itself that SASAG found most at fault. The ATC system "has created hazards, slowed traffic, restricted productive flight by all segments of the aviation industry, and used energy in frightening amounts," they found. More specifically:

- "The ATC system has loaded the cockpit with extra work to the extent that, during critical phases of flight, the air traffic function uses most of one crew member's time, removing him as a useful navigational and systems management assistant."
- "The atmosphere in an IFR room is a jumble of confusion, with demands on the human of the highest order."
- "The system is a jumble of people, radar screens, communications lines and stacks of paper strips, people communicating by voice, by radio to impersonal aircraft...while in the control room people are milling about, talking and creating distractions."
- Controllers often show disdain for pilots and evidence "lack of understanding of the pilot's job," creating a "conflict between ground and air that promotes an emotional response in an environment where it cannot be tolerated."

Summing up, SASAG concluded: "The list of Air Traffic System problems is long and detailed, but basically they reduce to these: a system too dependent on the human element; a system that has grown from old concepts with complex fixes applied to it in an attempt to accommodate its inadequacies. This, in turn, has



Radar screeen for the FAA's new RDP system. "I wish I had a dollar for every time the radar has quit," says controller Mike Rock of the inadequately tested and debugged system.

created a monster of procedures, rules, methods, and confusing interplay between people who are separated by distance, technical knowledge, and understanding of each other's problems."

WHAT TO DO? Obviously not just continue to patch up the present system. "The direction our government is taking toward future air traffic control is not commensurate with available technology. A program of top priority by an independent body is required to create a system that will reduce human error to a minimum." The question is how to go about doing that. SASAG suggested that a study be conducted "to determine whether the air traffic system would be operated more efficiently with advanced technology as an independent public company."

Could air traffic control be provided by a corporation? There is no reason why not, in principle. Air traffic control is a valuable service, as is communications or transportation. It requires the careful and efficient organization of people, equipment, and procedures to carry out the business of keeping aircraft safely separated from one another and assisting them in making safe takeoffs and landings. Removed from political control, freed of the civil service mentality, adequately financed, and staffed by competent technical and managerial talent, an ATC corporation could take full advantage of today's (and tomorrow's) technology.

If the controllers themselves no longer wish to work for the FAA, with all its civil service security, that must tell us something!

It isn't only pilots, such as the members of SASAG, who have suggested that ATC be transferred from the FAA to an independent corporation. The Professional Air Traffic Controllers Organization (PATCO) has been advocating just such a change since 1969. If the controllers *themselves* no longer wish to work for the FAA bureaucracy, with all its civil service job security, that must tell us something!

The plan PATCO endorses was first suggested in 1968 by Glen A. Gilbert, a long-time aviation consultant. Gilbert, who was the Bureau of Air Commerce's very first controller back in 1936, proposes a COMSAT-type corporation, funded 50 percent by taxes and 50 percent by user charges. It would be an "independent government corporation," operating outside of the Department of Transportation and responsible directly to Congress. As set forth in Gilbert's 1975 study, the U.S. Air Traffic Services Corporation would:

- operate the ATC system and perform various safety functions independent of the executive branch of the federal government;
- manage its own finances, derived from general taxes and user charges, subject only to congressional overview;
- function in a manner comparable to the best private-enterprise management and organizational concepts;
- establish its own allocations of costs to users, to meet one-half of its operating expenses;
- establish its own safety regulations and internal rules, regulations, and procedures.

Gilbert considers establishment of such a corporation essential if the ATC system is to meet the growing needs of aviation in a safe and cost-effective manner. It would also, he believes, establish and maintain a high level of morale, initiative, and productivity on the part of its personnel, be rapidly responsive to constantly changing requirements of airspace users, and provide for direct and continuing decisionmaking participation by the users.

The idea of a COMSAT-like corporation taking over ATC functions most recently surfaced in, of all places, an official FAA document. The study, *Aviation Futures to the Year 2000*, was prepared for the FAA by The Futures Group, a think tank in Glastonbury, Connecticut. One of the study's five alternative scenarios features a highly automated ATC system, operated by a "COMSAT-like quasi-governmental authority" rather than by the FAA.

SASAG, PATCO, Gilbert and The Futures Group have all correctly identified the problem, and the general thrust of their proposal—to put ATC on a businesslike basis—cannot be faulted. But why the government involvement? It's true that Gilbert stresses the model of relatively successful COMSAT rather than the more typical quasi-government corporations—Amtrak, Conrail, and, needless to say, the US Postal Service. All three of these are responsible to Congress, and all are far from models of good management and cost-effectiveness. To involve the government in any way is to seriously risk defeating the basic purpose of the change—which is to transfer ATC from a politically controlled bureaucracy to an efficient business.

One possible argument for government involvement is that government aircraft, notably those of the military, use the ATC system, too. Another is that there is some kind of "public benefit" involved in the ATC system apart from benefits to specific users and that general taxpayer funding is therefore appropriate for at least part of the costs. These questions were addressed in depth by Department of Transportation studies during 1972 and 1973. Economists made a detailed cost-allocation study of the ATC system and of FAA operations generally, as part of an unsuccessful administration campaign to move to 100 percent user-charge funding of the existing FAA/ATC system. In brief, the studies concluded that about 50 percent of the costs of the system are occasioned by air carriers, 30 percent by general aviation, and 20 percent by military use. *No* general benefits for nonusers could be identified.

The DOT studies established quite clearly which users contribute which costs of the system, and a variety of methods of charging them is possible. Military and other governmental users could be charged just like any others and could participate, as customers, in the long-term ATC planning process as they do now—perhaps more effectively, since they would be dealing with a far more responsive and competent organization.

The biggest obstacle to setting up a 100 percent user-financed ATC corporation would be political opposition. Whereas commercial aviation is approximately paying its share of ATC costs today (in the form of existing user charges), general aviation is paying only one-seventh of its share. Consequently, its lobby groups—the Aircraft Owners & Pilots Association, the National Business Aircraft Association, and the General Aviation Manufacturers Association—have conducted an extensive, and so far successful, campaign against efforts to increase user charges to full-cost levels. These organizations can be expected to lobby strenuously against a private ATC corporation.

Apart from such political obstacles, could it really work? Could a private corporation actually be trusted with the responsibility for thousands of planes and millions of lives? The fact is, such operations have already been demonstrated—they *have* worked and they *are* working, right now. In Berne, Switzerland, stands the headquarters of Radio-Schweiz, A/G, the nonprofit corporation that provides air traffic control services in Switzerland. Radio-Schweiz, though its start-up costs were underwritten by the Swiss government, is fully private and is

100 percent user-charge funded, for both capital and operating expenses. In Mexico in the 1940s a private, nonprofit corporation known as Radio Aeronautica de Mexico, S.A. (RAMSA) was set up jointly by the various Mexican airlines, which became its stockholders. Although the airlines were later nationalized, RAMSA continued as the ATC services company, funded entirely by user charges, until last October when it was nationalized by the Mexican government (the controllers went on strike for three weeks, in protest, but to no avail). A similar company, RACSA, was set up in Cuba after World War II and is still in operation, though Cuban airlines are also nationalized. The British firm of International Aeradio, Ltd. for many years has operated ATC services in parts of the former British empire, paid for by user charges. It currently provides most ATC services in the booming Persian Gulf area. Its I.A.R. Caribbean, Ltd. subsidiary operates in Commonwealth countries in the Caribbean.

THE UNITED STATES itself came close to having an ATC company and even now has a firm in a logical position to provide such services. The company is Aeronautical Radio, Inc.—ARINC. It is a not-for-profit firm owned jointly by the airlines to provide communications services between planes in flight and ground stations and between various airline ground stations. In 1977 ARINC did $85 million worth of business, up six percent over 1976. Its air-to-ground operations include some 2,100 installations, providing voice radio communications. ARINC also provides electronic switching connecting 28 computer systems. This is the system that allows a United Airlines agent, for example, to make a reservation for you on Piedmont as easily as on United. The switching system transmits some 40 million messages per month. The world's largest private-line intercity communications network, serving 135 airline users at over 1,300 locations, is also operated by ARINC. It uses 17,717 leased circuits comprising nearly 5 million voice channel miles.

ARINC actually predates the existence of air traffic control by seven years. In 1929 several airlines held experimental licenses from the Federal Radio Commission (precedessor of the FCC) to carry out air-to-ground radio communications. The licenses permitted experimental operations but granted no rights to use the frequencies on a regular basis. Late in 1929 representatives of these airlines met with the FRC in Washington to ask for permanent radio frequency assignments. Unfortunately for them, the military had gotten there ahead of them. A year earlier the FRC had assigned to the military a large portion of the frequency spectrum designated for aviation purposes. As a result, the requests of the individual airlines far exceeded what was then available.

At this point the airlines' legal counsel, Louis Caldwell (himself a former secretary of the FRC) suggested a cooperative approach. Since FRC rules would not permit licensing of frequencies by an informal association, it became necessary to form a corporation. As a result, in December 1929 Aeronautical Radio, Inc. came into existence as a Delaware corporation. The original stockholders were Pacific Air Transport, Western Air Express, and Universal Airlines. The charter provided that the corporation could conduct business in all phases of aeronautical communications and navigational activities. Only airlines could become stockholders, and no one airline or affiliated group could own more than 20 percent of the stock. Users of ARINC services, including private planes, would be charged in proportion to their use at rates sufficient to cover all expenses.

In its early years ARINC was something of a skeletal organization, existing primarily as the FRC/FCC licensee and operating mostly as a coordinating body. Airline personnel installed and operated all the actual communications equipment. ARINC, however, took a leading role in developing improved radio navigation equipment during the 1930s. Operating in the interest of all the airlines, it served as the interface with companies such as Western Electric, Bendix, and RCA that pioneered in developing the hardware. It was ARINC, rather than the government, that led the way in developing such systems as airborne VHF radio, omnidirectional navigation beacons (VOR), and "blind landing" systems (ILS), often overcoming the reluctance and conservatism of the Bureau of Air Commerce and later the CAA.

From 1930 to 1934 ARINC provided the only voice communications between air and ground—en route, during approach, and at airports. When the need for controlling traffic ("flight following") became apparent in the Chicago area in 1934, it was ARINC that led the way in coordinating airline efforts. In 1935 ARINC set up interline agreements among the airlines serving Chicago and Newark to provide for a unified ATC procedure at each airport. The first Airway Traffic Control Center was set up at Newark on December 1, 1935, with costs shared among the airlines in proportion to airport use. Airline personnel trained at Newark for setting up other centers—the second one at Chicago (in April 1936) and the third at Cleveland (in June 1936). Each center controlled airline traffic within 50 miles of the airport, using the airline/ARINC radio operators at each field. The fledgling air traffic control system apparently worked quite well.

PARALLEL with these developments, however, pressures were building toward a greatly expanded federal role in aviation, pressures that would culminate in the Civil Aeronautics Act of 1938 with its substantial economic assistance to the depression-plagued airlines. As part of this gearing up, the Bureau of Air Commerce asserted federal responsibility to establish "a uniform and centralized system of airway traffic control...to direct and coordinate the progress of all flights, whether government, civil, or commercial, over the Federal Airways."

The risks of creating another Amtrak or US Postal Service by insisting on government involvement in air traffic control are far too great.

In line with this thinking, on July 6, 1936, the bureau took over the three existing traffic control centers and by the end of the year had established five more. The airlines did not protest this take-over; indeed, they welcomed it. At the height of the depression, here was one less item they had to include in their hard-pressed budgets. ARINC, as a "subsidiary" of the airlines, was in no position to object to this loss of its fledgling ATC business. Besides, it had its hands full developing new forms of communications systems.

ARINC was not out of the ATC business altogether, however. First of all, up until 1946, all CAA traffic controllers still communicated with ARINC, which transmitted their messages to the flight crews. Only in the late 1940s and early 1950s did the CAA develop its own ATC radio links, leaving the ARINC channels strictly for company messages. But while losing one ATC role, the late 1940s firmly established ARINC in another.

Until the late 1940s overseas flights still carried radio-telegraph operators, who sent and received Morse Code messages. The CAA was committed to continuation

of this obsolete method and built new long-range radio-telegraph stations in San Francisco and New York. When United and Northwest received new routes from the West Coast to Hawaii in 1948, ARINC and the airlines decided the time was at hand to switch to voice communications. ARINC built four high-powered, high-frequency overseas stations—at Seattle, San Francisco, Los Angeles, and Honolulu. Needless to say, voice communications proved to be technically sound, and the change eliminated the need for a telegraph operator in the cockpit—a substantial cost savings to the airlines. Over the next few years this process was repeated in the Caribbean and then on the North Atlantic. The CAA eventually shut down its radio-telegraph stations and now contracts with ARINC for all ATC communications from the five overseas "gateways": New York, Miami, San Juan, San Francisco, and Honolulu.

ARINC also became further involved in ATC overseas during this period of time. It was ARINC that provided the advice and expertise leading to the formation of RAMSA in Mexico and RACSA in Cuba. ARINC also worked with aviation groups in Venezuela, Colombia, Peru, and China to set up similar companies, not always with the same degree of success. Wherever an organization was successfully created (whether private or government), both communications *and* ATC services were provided, with funding based on user charges. Decades of interfacing with the bureaucratic CAA had taught ARINC valuable lessons about the efficiency of government versus that of the private sector.

Today, ARINC stands in marked contrast to the FAA. It is recognized as a world leader in aeronautical communications. Its specifications for standard avionics equipment are in use throughout the world. It continues to be a leader in advancing the state of the art and has set up a for-profit subsidiary, ARINC Research Corp., that does $10 million a year in applied systems engineering. ARINC, or a company modeled after it, could readily take on the task of operating and upgrading America's ATC system.

The examples of ARINC, RAMSA, Radio-Schweiz, and the others demonstrate quite clearly that ATC services can be provided by a fully private company, funded entirely by user charges. The risks of creating another Amtrak or US Postal Service by insisting on government participation in or sponsorship of an ATC corporation are far too great. To ensure the highest degree of safety and cost-effectiveness, a truly private-enterprise operation is clearly the only way to fly.

Given the FAA's record with the ATC system, it's not surprising to hear complaints, also, about its competence as a safety enforcer. Aside from its inherent limitations as a large government bureaucracy, what makes the agency ineffective as a safety regulator? Critics point out that the FAA is faced with a built-in conflict of interest. The Federal Aviation Act directs it to "encourage and foster the development of civil aeronautics and air commerce," in addition to promoting safety. The FAA interprets this to mean looking after the economic well-being of the aircraft and airline industries. Yet in the day-to-day businesses of designing planes and running airlines, the potential for conflict between economics and safety is, unfortunately, very real.

The FAA's safety efforts are embodied in its Federal Air Regulations (FARs). The FAA's role is to promulgate, via FARs, the minimum required safety standards, leaving it to manufacturers and operators, respectively, to decide whether and to what extent to exceed the requirements. Any such system is only as good as the adequacy of the standards themselves and the adequacy with which they are enforced. The FAA can be faulted on both counts.

The airworthiness FARs (design standards) frequently lag far behind the state of the art. For 14 years, from 1961 to 1975, the basic FARs remained unchanged, while technology proceeded apace. To patch up the gaps, the FAA issued various Special Conditions on an ad hoc basis; as manufacturers came up with new design features, the FAA thought up new Special Conditions that would accommodate them. The design of the DC-10, for example, required 30 pages of Special Conditions, covering such features as its unique three-bogie main landing gear, its emergency exits, fire-proof materials, flight controls, and propulsion system. The industry tail wags the FAA design-standard dog.

The FAA gives every appearance of following the classic pattern of a regulatory agency captured by the industry it allegedly regulates.

As noted earlier, the FAA does not itself carry out most of the detailed work of aircraft certification. On large (transport) aircraft, about 70 percent of the inspection and compliance work is delegated to the manufacturer; for light aircraft there is up to 90 percent delegation. What this means is that certain company personnel wear one hat during regular work (for example, as test pilot) and another hat when acting as the FAA's representative (as FAA certification pilot). The potential conflict of interest is clear.

One of the first public exposures of the inadequacies of the FAA-supervised design process occurred in 1970 when two young aeronautical engineers, associates of Ralph Nader, published a report on light-aircraft crashworthiness. On the basis of their carefully researched study, James Bruce and John Draper concluded that "one-half of all general aviation fatalities...were unnecessary,...the victims of negligence in the field of crash safety engineering." Bruce and Draper noted that, although the human body can withstand loadings of up to 20 times the force of gravity (20g) vertically and 40g laterally, the FAA requires light aircraft cabin structures to be able to withstand only 3g upward, 9g forward, and 1.5g sideward. The standards, of course, are minimums, not maximums, and manufacturers are free to do better.

Indeed, some *do* exceed the standards. Both Beech and Helio design their planes' cabins using a tubular frame that can withstand high crash loads and configure the wings so that failure is possible only outside the fuselage. All fuel tanks are located in the wings, to minimize the danger of a cabin fire in the event of a crash. The other two major light-plane builders—Cessna and Piper—build their cabins out of sheetmetal, meeting only the minimum FAA crash-load criteria. It's not that they don't know how to build safer planes—both build cropdusters, in which crash survivability is an essential sales feature. But nobody mentions comparative safety levels in selling business and pleasure craft. So Cessna and Piper continue on their way, translating a lighter but less safe structure into slightly lower prices or slightly higher performance. The customer takes safety for granted because he knows *all* planes on the market have received a certificate from the FAA. He therefore assumes them to be equally safe. The light aircraft manufacturers' trade group, GAMA, strongly opposes higher FAA design standards.

Despite Beech's good record on crashworthy design, the company's safety consciousness leaves much to be desired. In 1961 it discovered that during certain maneuvers the fuel intake ports on its Bonanzas could become exposed, sucking in air instead of fuel and causing the engine to fail. For four years the company

UPI

Burned-out tail section of a Pan Am 747 at Tenerife airport in the Canary Islands. Collision of this plane with a KLM 747 killed 581 persons—the world's worst air crash. The insurance industry's response to such disasters has, paradoxically, diminished economic incentives for safer operations—thanks to government involvement.

did nothing, meanwhile bringing to market a new luxury plane, the Baron, using the *same* fuel system. Finally, in April 1965 it issued a Service Letter (analogous to a Service Bulletin) describing the problem in innocuous terms and stating, "This does not create a hazard but can be disconcerting." Six month later, in October 1965, came the first of a series of Baron crashes, caused by unexpected engine failure due to unporting of the fuel intake.

The CAB investigator (the CAB investigated crashes prior to creation of the NTSB in 1967) test-flew a Baron in February 1966 under minimum-fuel conditions and identified the unporting problem. In January 1967 the CAB recommended an evaluation of the Baron's fuel system design. But the FAA was not impressed. It maintained that no FARs had been violated in the Baron's design and that the unporting problem could only occur during maneuvers that the plane was never intended to perform. Meanwhile, Barons continued to crash.

Finally, in 1968 an FAA test pilot flew a Baron, repeating the earlier CAB pilot's maneuvers. His recommendation: ground the Baron until a design change could be made. But his report never saw the light of day at the FAA. By the end of 1968, after five Baron crashes, the FAA finally issued an AD: it required, not a design change, but a warning placard in the cockpit. Although Beech finally changed the design of all new Baron fuel systems in 1970, it was not until two of the crash cases were litigated—one settled out of court for $325,000 and the second resulting in a jury verdict of $21 million—that Beech in 1972 issued a modification kit to correct the problem on pre-1970 Barons. The FAA did not require the modification, nor did Beech provide it as a routine product improvement; owners who wanted it had to buy and install it at their own expense.

A similar reluctance on the FAA's part has been evident in cases involving commercial transport aircraft. In July 1970 an Air Canada DC-8 crashed on landing at Toronto, killing 109 people. The first officer had accidentally deployed the spoilers while the plane was still 60 feet off the runway, causing it to slam into the pavement. The spoilers are designed to kill the wing's lift once the aircraft has touched down; it is extremely dangerous to deploy them in flight. Yet the DC-8 design was not fail-safe in this regard; the spoiler handle could easily be moved into the "deploy" position instead of the "arm" position, as had occurred in the Air Canada crash.

In August the manufacturer, Douglas Aircraft, sent a cable to all DC-8 operators warning that spoilers should be used only on the ground; no mention was made of the Air Canada crash. The FAA's western regional office prepared an AD calling for a warning placard (!) to be placed beside the spoiler handle in the cockpit reading "Deployment in Flight Prohibited." Douglas, Eastern Airlines, and the Air Transport Association protested the AD as unwarranted, but it was nevertheless issued in December 1970. In October 1971 a European DC-8 crashed due to spoiler deployment 15 feet in the air; no lives were lost, though the plane

was damaged. In November 1972 a Japanese Airlines DC-8 crashed near Moscow under conditions suggesting in-flight spoiler deployment; 61 people perished. In June 1973 an Icelandic DC-8 crash landed at JFK due to inadvertent spoiler deployment at 40 feet; 38 people were injured and the plane sustained major damage.

In August 1973 the FAA's eastern region drafted a proposed AD to make spoiler activation impossible in the air and sent it

The FAA's rules for operating its *own* fleet are far more stringent than the minimums required for commercial airlines.

to the western region to be issued. The western region rejected it, because Douglas was about to issue a Service Bulletin on its own. The SB was issued—as a routine product improvement, not a safety item—in October 1973. Finally, in January 1974, four years after the first crash, the western region gave in and issued an AD making the Douglas SB mandatory.

The pressure on FAA regional offices to cancel ADs in favor of nonpublicized SBs can be intense, as the Turkish Airlines DC-10 and the DC-8 spoiler cases demonstrate. Captain Brian Power-Waters, a 22-year veteran of airline flying, cites additional recent cases in which proposed ADs were canceled after manufacturer protests:

- Lockheed L-1011 rudder pedals were jamming, causing serious control problems.
- Lockheed L-1011 auxiliary power unit exhaust shroud seal was a potential fire hazard.
- Lockheed L-1011 passenger oxygen masks failed to deploy when needed.
- Boeing 747 escape slides failed to operate normally.

The FAA takes the economic interests of the aircraft manufacturers very seriously. Consequently, one can wonder how objective FAA certification criteria would be even in the absence of the delegation-of-authority system.

The FAA, in enforcing its design standards, gives every appearance of following the classic pattern of a regulatory agency captured by the industry it allegedly regulates. Aircraft and component manufacturers have built up long-standing relationships with FAA personnel and offices. One former FAA official notes that "the smart manufacturers shop different FAA districts to get their hardware certified because each district has a different attitude toward standards." The FAA's 1975 task force acknowledged the existence of this region-shopping problem.

IN RECENT YEARS the inadequacies of the FAA's certification activities have been coming to light. In 1973 the General Accounting Office released the results of its year-long investigation of certification in the light-aircraft industry. The FAA's failure to closely monitor the design process, said the GAO, "has contributed to design safety hazards in light aircraft." Not only are planes with design defects certificated, but once the weaknesses are discovered, the FAA takes inordinately long to correct them, as we have seen. The GAO cited (without naming names) the Beech Baron case as one of several prime examples. It also pointed out that because the FAA does not itself participate in the design and test phase, it cannot influence the design until problems show up in the field, after the plane is in service.

In 1974 the House Special Investigations Subcommittee, headed by Rep. Harley Staggers, issued a massive report documenting the failure of FAA safety efforts. The report cited numerous examples of what it called administrative foot-dragging by the FAA in requiring manufacturers to make changes to improve safety. Its actions to promote air safety "have been unreasonably delayed, or omitted entirely, because of an oversolicitous attitude on the part of some within the agency concerning the economic well-being of the aircraft industry or the air carriers." Other members of Congress agreed. Sen. Howard Cannon noted that the handling of the DC-10 cargo door problem "calls into question the entire regulatory relationship" between the FAA and the industry. Sen. Vance Hartke concluded simply, "The FAA is a prisoner of the industry it is supposed to regulate."

After the Turkish DC-10 crash, the GAO conducted another investigation, looking into the matter of "regulatory lag." It documented the extent of the problem, finding, for example, that it took an average of 28 months from the time a safety rule was first proposed until the final version was issued and that the rule would typically have been under study for another year prior to the rule-making process actually beginning. During its one-year study GAO identified 47 NTSB recommendations "most critical to the preservation of life" that the FAA had not acted on and asked the FAA to report their status. It took the agency three months just to figure out their status and reply to the GAO!

Regulatory lag was still a live issue in 1977. After the collision of two 747s at Tenerife, Rep. Elliot Levitas reported finding 135 instances in the previous eight years in which the FAA rejected NTSB recommendations and 281 cases in which it agreed with the board but had not implemented them fully—including 95 dating back three or more years. Economic-hardship claims by the manufac-

Some airlines are more conscientious about maintenance than others, but this information never becomes public.

turers and airlines were frequently the major factors in causing the delay, modification, or rejection of the recommendations.

The same issues that apply to aircraft design—inadequate or outmoded FARs, delegation of authority, economics versus safety—also apply to airline operations. Various FARs define minimum qualifications for operating personnel, spell out what are considered to be safe operating conditions, and specify minimum maintenance requirements.

How do these FARs measure up? To begin with, the FAA attempts to cover itself by making rules spelling out everything possible. "We are regulated to death," states Captain Power-Waters. But new FARs don't replace old ones; they're simply added on to an ever-growing jumble. As a result, "Most of the regulations in use today are as ancient and useless as the landing aids that were put into operation 30 years ago. The 747s operate under the same regulations originally drafted for the DC-3," says Power-Waters. Many are absurdly deficient on their face. FAR 121.687(b), for example, requires that every flight carry a copy of the "latest available" weather report for each stop. If the weather teletype is out of service and only last week's weather is available, it is perfectly legal to use, so long as it's the latest available! And with the proliferation of regulations, "There isn't a pilot in the sky today who doesn't break at least one regulation every time he flies. It is practically impossible to comply with one regulation without infringing on another."

One indication of the inadequacy of the FARs is provided by the FAA itself. The agency's rules for operating its *own* fleet

are far more stringent than the minimums required for commercial airlines. FAA pilots must have at least 48 hours of pilot time within the prior 12 months to legally fly a plane; there is no such air-time rule for commercial pilots. They need only have made three takeoffs and landings within 90 days; FAA pilots must have made five. All FAA pilots who fly jets over 25,000 feet must obtain physiological training—for example, simulated decompressions in a pressure chamber and other emergency procedures. No airline crews get such training.

The FAA's outdated, contradictory, minimum standards are exceeded by some, adhered to by others, and flouted by still others.

Other FARs set forth minimum maintenance standards. These cover both routine, scheduled maintenance and procedures for dealing with in-service failures. Maintenance is carried out by airline personnel; all such work must be at least supervised and signed off by a mechanic licensed by the FAA. The agency maintains a corps of inspectors who spot-check the airlines' work, looking at log books and talking with supervisors. It is impossible, given the FAA's limited personnel, to check out everything. Each of the 300-odd maintenance inspectors is required to check only four aircraft logbooks per month, covering only the previous two weeks. Inspectors work only a regular eight-hour day, five days a week, while airline operations continue round the clock.

The system "works" (more or less) because airlines can't afford to take serious shortcuts, since this would end up costing more than it saved; the overall record-keeping and inspection system provides for tracing failures back to the responsible parties in the event a problem is discovered; and the FAA can penalize violators by fines of up to $1,000 a day. Nevertheless, many observers think the FAA is doing a sloppy job of maintenance supervision. Some airlines are more conscientious about maintenance than others, but this information never becomes public. Mechanics who observe violations of safety regulations have no means of reporting to the FAA (unlike pilots, who—at least during certain years—have been able to report near-misses and other incidents to the FAA under an "immunity" program).

THE CONFLICT between safety and economics makes itself felt most strongly when it comes to keeping flights on schedule. If certain aircraft components have become inoperative, the key question becomes, Is it safe to fly without item X, or must the flight be delayed while it is repaired or replaced? The Air Transport Association and the FAA have developed for each type of commercial aircraft a Minimum Equipment List. The MEL specifies the equipment that must be operational for a flight to proceed. Obviously, trade-offs must be made in establishing such lists—dollar losses in delayed flights and angry customers must be weighed against the potential of lost lives and destroyed planes. Critics charge that the FAA yields too readily to trade-group pressure in making up MELs that keep flights operating at the expense of safety. Crashes have occurred because flights have been dispatched with equipment that was inoperative but legal according to the MEL.

Further problems occur when the MELs themselves are not strictly adhered to. The International Association of Machinists contended in recent testimony before the House Government Activities and Transportation Subcommittee that "in a lot of instances where scheduled departures (which are money) are involved, the manual and MELs go out the window....[The FAA inspectors] are rarely, if ever, around. The check and balance system gets out of kilter when an over-eager management-level supervisor ignores or signs off an aircraft problem in order to make a scheduled departure." Captain Power-Waters cites many examples of pilots of certain airlines being disciplined for refusing to depart on schedule due to inoperative equipment.

When violations of FARs do come to light, the FAA too often responds with a mere slap on the wrist. In 1970 Mohawk Airlines received notice from the FAA that they had violated a number of FARs, covering such items as inspection of fire extinguishers, flap actuators, rudders, and navigation system components. Some of the required inspection intervals had been exceeded by hundreds of flight hours, and an ILS was two and a half years overdue for inspection. Despite the seriousness of the violations and the FAA's ability to levy fines of up to $1,000 per day for each violation, it offered to settle for only $50,000. Even then, Mohawk was able to negotiate a settlement of $20,000.

What we have, then, is a system whose incentives are badly out of whack. The manufacturers and the airlines have an economic incentive to cut corners—not in major, obvious ways, to be sure, but in those borderline areas where cost trade-offs must always be made. And the record makes clear that a number of these trade-offs have led to tragedy. The FAA has no clear-cut incentive to promote higher levels of safety. To begin with, it has the dual mission, by statute, of promoting both safety and aviation's economic well-being. And then, of course, it is a government bureaucracy. That its basic motivation is, for the most part, self-preservation was candidly admitted two years ago by one FAA staffer during NTSB's hearings on the crash of TWA 514. "Safety suffers when everybody is more interested in protecting their tails than trying to make air travel more safe," he said. Why this attitude? "FAA is running from millions of dollars in liability," he continued. "If changes are made, the assumption is made that the changes are an admission of responsibility. Consequently, change is resisted."

The FAA has painted itself into a corner. As the government agency supposedly taking care of air safety, it is assumed to know what it is doing. Insurance companies and the traveling public assume that all airlines and aircraft are equally safe, because they all have the FAA's continuing seal of approval. Any sort of consumer consciousness of safety has been driven out of the system. All the while the FAA's outdated, contradictory, minimum standards are exceeded by some, adhered to by others, and flouted by still others. The crashes keep occurring. Lives continue to be lost. TWA 514 (92 lives); Turkish Airlines Flight 981 (346 lives); Pan Am and KLM Boeing 747s at Tenerife (581 lives) — and many, many others. The conscientious manufacturers and airlines are indistinguishable from the corner-cutters, in the minds of the public and the insurers, because the FAA has blurred the distinctions and cast its deceptive blessing over them all. We all pay for it—in higher fares thanks to higher insurance premiums, and in lives. Isn't there a better way?

AGREEMENT that the FAA is failing in its safety responsibilities is widespread outside of the agency. The FAA's deficiencies are just too glaring to be ignored. Yet suggested solutions are few, and largely unsatisfying. Activist groups like the Aviation Consumer Action Project and the staffs of various congressional committees all favor "reforming" the FAA in some manner—finding better managers, hiring more competent engineers, removing its mandate to promote commercial success, etc.

But the bottom line of all these suggestions would still leave us with a government bureaucracy. It would still suffer from a civil service mentality. It would still be subject to political control. It would still rely largely on industry personnel. Even if it started out with a clean slate—brand new FARs, completely new, well-qualified staff, a new charter, a bigger budget—it would be only a matter of time before the classic regulatory agency pattern repeated itself and we'd be faced with the same problem all over again.

The fundamental problem is that of incentives. The incentives facing an agency like the FAA ultimately turn out to be those of self-preservation. It preserves itself best by developing smooth working relationships with the industries it regulates. The industries, in turn, are motivated by self-interest — to make profits selling planes and carrying passengers.

The FAA's only motivating tool, for either its own personnel or those of industry, is fear—fear of violating regulations. Yet fear is an ineffective motivator. Modern management has come to rely effectively on participative, rather than authoritarian, means of motivation, rewarding good performance rather than punishing mistakes. The incentive structure needs to be turned around so that both industry and the external entity are motivated by positive goal attainment rather than by fear of noncompliance.

But is this possible? We are so used to thinking about *forcing* compliance with safety rules that the idea of *motivating* compliance may seem fanciful at first. But let's suppose, for the sake of argument, that there were no FAA, that government had not been given the role of enforcing air safety. What then?

Studied from this angle, the dimensions of a solution become apparent. If there were no government safety regulation, there might be lots of crashes; that would mean lots of lawsuits against airlines and aircraft producers; and then the *insurance industry* would be on the hook. Since aviation underwriters would be the ones ultimately accountable for the costs, it is *they* who would have the greatest economic incentive to make sure flying is safe.

IS THERE ANY REASON to think the insurance industry would be able and willing to do so? History provides an enlightening example. In the 1860s the fire protection industry was in something of the state aviation was in during the 1920s. Fire departments were relatively haphazard outfits, frequently thrown together by well-meaning but untrained volunteers or by small, undercapitalized companies. Fire insurance rates were chaotic, varying greatly from place to place and bearing no apparent relationship to actual loss potential. To bring some order to the industry, representatives of the major fire insurance companies got together in 1866 and organized the National Board of Fire Underwriters.

At its first annual meeting, in 1867, NBFU urged its local affiliates to inspect buildings, fire departments, and water supplies as factors in determining insurance rates. In 1873 the seventh annual meeting recommended that local boards appoint standing committees to examine local fire departments and water supplies "and to endeavor to have needed improvements made therein." Already, a feedback effect was taking place. In 1890 the national board appointed an inspector of fire departments, fire patrols, and water supply. The first such inspector began work on July 1, 1890, inspecting 52 cities in his first 11 months on the job.

But obtaining compliance was still a problem. NBFU resolved to work on methods of inducing cities to follow through on the inspector's recommendations, noting that "until they do take measures for improvement, we are able . . . to take such measures as are consistent with our own safety as underwriters, whether by means of rates, or a refusal to accept certain risks." But no formal system of adjusting rates based on safety levels was put into effect at that time; the primary means of seeking compliance was the personal influence of local insurance agents on local government officials. The inspection reports were, however, distributed to rate-making associations, as well as to local officials.

In 1902 a member of NBFU's Fire Department Committee suggested that a standard "for perfect equipment and water works service" be developed, to serve as a guide for rate making. The National Fire Protection Association was asked to "formulate standards of fire protection in cities and properly guide them so as to form a basis for rating." The resulting document, "Standards for Grading Town Public Fire Protection," was published on October 29, 1903. It established seven classes of fire departments and set down standards for equipment, water supply, and other factors. Over the next 12 years the standards formed the basis for a considerable upgrading of the NBFU's inspection work, and several engineers were added to the staff. Finally, in December 1915 a *Standard Schedule for Grading Cities and Towns of the United States* was issued to insurance companies and rating bureaus across the country. The results of NBFU's grading of a city were then used by the rate bureaus to assign each city (or portion of a city) to a specific insurance rate class. Thus, the better a city scored, the lower its insurance rates would be.

This basic system, upgraded periodically to reflect new knowledge, technology, and procedures, continues to operate today. Responsibility for conducting the periodic grading of cities was transferred from the NBFU to the American Insurance Association in 1966. In 1971 a nonprofit service agency, the Insurance Services Office (ISO) was created, and responsibility for fire grading became one of its primary duties. Every city and county in the United States is graded approximately once every seven years by an ISO engineering team, using the *Grading Schedule for Municipal Fire Protection*—a direct descendant of the earlier schedules. The *Grading Schedule* provides for a detailed technical evaluation of a city's water supply, fire department, fire service communications, and fire safety control. Within each category, deficiency points are assigned for each instance in which a particular feature falls short of the ideal set forth in the schedule, and insurance rate bureaus then set fire insurance rates accordingly.

This system provides a direct economic incentive for the city managers to invest in safety. There is no conflict between economics and safety and no need for a regulatory bureaucracy to issue edicts and threaten fines. To be sure, trade-offs are made, as they always will be. There can be no guarantee of absolute safety, under any system, and there will always be *some* additional safety investments judged not worth what they would cost. But the value of the ISO system is that it provides positive incentives via lower insurance rates for taking reasonable safety precautions. Cities are not *forced* to follow the ISO's recommendations, but they (their citizens) must pay the price, in higher rates and loss potential, if they don't.

What works for fire insurance could also work for airline property and liability insurance as well as for aircraft product liability insurance. If there were no FAA, the insurance underwriters would have a substantial incentive to follow the fire underwriters' example and get into the safety standards business in a serious way. An Aviation Underwriters Safety Organization (AUSO), similar to ISO, would very likely come into existence, developing standards for aircraft design, maintenance, and operation. Airlines and manufacturers would have an incentive to work *with* AUSO's engineers and inspec-

tors, since doing so would lead to lower insurance rates.

But wouldn't the AUSO in time come to resemble the FAA—a cumbersome bureaucracy that's captured by the industry? Although such an outcome is conceivable, it must be viewed as highly unlikely. To begin with, the AUSO would be free of political control and of civil service rules, so its tendency to operate as a cover-your-tail bureaucracy would be minimized. Second, as a voluntary organization, its standards would not have the force of law and would probably *not* be minimums—indeed, it's quite possible that several alternative levels of safety would be specified (as with the ISO), among which airlines and manufacturers could choose, with corresponding differences in insurance rates. Because of this, the perceived value in "capturing" an AUSO would be

Where Not To Fly

If you fly a lot, your chances of being involved in a midair collision or having some sort of malfunction occur are a lot greater on some routes and at some airports than at others. But the FAA won't tell you that. They want to preserve your naive trust in government protection.

That leaves the job to small, underfunded outfits like the nonprofit Aviation Safety Institute in Worthington, Ohio. The ASI operates a 24-hour-a-day toll-free hot line by which pilots and air traffic controllers can report near-misses, safety violations, and equipment failures—anonymously, without fear of FAA or company reprisals. The ASI stores the data in its computer and sends out notices of particular hazards in its biweekly newsletter, *Monitor*.

REASON asked ASI president John Galipault to prepare a few computer printouts showing comparative levels of hazard. The results, tabulated here, are quite revealing. At the nine busy airports from which ASI receives regular reports, the number of near-misses in 1977 ranged from three to eight. When these numbers are adjusted for relative traffic levels, the *rate* of near-miss occurrence ranges from a low of 7.89 per million operations (takeoffs and landings) at Dallas-Ft. Worth Airport (DFW) to a high of 30.3 at New Orleans (MSY). These data are not comprehensive, since they are based on voluntary self-reporting by FAA and airline employees. Most likely, actual rates of near-misses are much higher. And data from some of the country's busiest airports—LAX and JFK among them—were not available, since ASI receives no regular reports from them. But travelers would do well to avoid New Orleans and Philadelphia, in comparison with the other airports listed here.

The ASI printouts also cover 10 of the FAA's air route traffic control centers, which monitor and control flights between cities. Here, too, the variation is substantial, ranging from a low of 0.56 near-misses per million IFR (instrument flight) operations controlled by the Cleveland center (ZOB) to a high of 9.04 at Jacksonville center (ZJX)—*16 times as high!* Even more shocking is the rate at which "system errors"—human mistakes or equipment failures—occur at ZJX. The Jacksonville center's system error rate was a whopping 23.83, vastly higher than second-place Chicago center (ZAU) at 3.49 or third-place Oakland (ZOA) at 3.37. The Jacksonville center controls a stretch of the very busy New York-Miami route from south Georgia to north Florida. So if your winter vacation includes this route, maybe you'd be better off taking the train.

Information of this kind, allowing travelers to assess their own risks, is carefully suppressed by the FAA. If air traffic control and air safety enforcement were provided privately, there would likely be quite a market for such data. What multinational corporation would route their $800,000-a-year chief executive along the Jacksonville center's route when they could find an alternative, safer routing?

The ASI incident-reporting program can be seen as prototypical of the kind of information the market would supply, once safety became a marketing factor. Relative malfunction rates of Sabreliners versus Learjets versus Jetstars, engine failure rates of 747s versus DC-10s and L-1011s, radar failure rates at various traffic control centers—all would be exposed to public scrutiny rather than hidden away in the bowels of the FAA.

COMPARATIVE AIRPORT SAFETY, 1977

Airport	Near-Misses Reported to ASI	Total Aircraft Operations	Near-Miss Rate
New Orleans (MSY)	5	165,000	30.30
Philadelphia (PHL)	8	329,000	24.32
Indianapolis (IND)	4	214,000	18.69
Columbus (CMH)	4	256,000	15.62
White Plains (HPN)	3	214,000	14.02
Chicago-O'Hare (ORD)	8	735,000	10.88
Pittsburgh (PIT)	3	318,000	9.43
Denver (DEN)	4	452,000	8.85
Dallas-Ft. Worth (DFW)	3	380,000	7.89

COMPARATIVE AIR ROUTE TRAFFIC CONTROL CENTER SAFETY

Center	Near-Misses Reported to ASI, 1977	System Errors Reported to ASI, 1976-77	Total IFR Operations, 1977	Near-Miss Rate, 1977	System Error Rate, 1977
Jacksonville (ZJX)	11	58	1,217,000	9.04	23.83
New York (ZNY)	11	7	1,581,000	6.96	2.22
Washington (ZDC)	10	10	1,503,000	6.65	3.32
Chicago (ZAU)	10	13	1,863,000	5.37	3.49
Oakland (ZOA)	5	7	1,038,000	4.82	3.37
Memphis (ZME)	3	1	1,240,000	2.42	0.40
Minneapolis (ZMP)	2	2	1,164,000	1.72	0.86
Denver (ZDV)	1	0	843,000	1.19	0
Indianapolis (ZID)	1	5	1,451,000	0.69	1.72
Cleveland (ZOB)	1	2	1,785,000	0.56	0.56

far less than in the case of the FAA. In addition, AUSO's value to the insurance industry would be only as good as its reputation for integrity—as in the case of Underwriters Laboratory. If it began compromising its safety judgments under pressure from airlines, for example, strong corrective pressures would be exerted by the underwriters.

Why hasn't the insurance industry taken on such a role already, given the FAA's deficiencies? To begin with, any direct industry-wide system for linking insurance rates to safety practices would be illegal under present US law! In the late 1960s the major aviation insurance underwriters signed an antitrust consent decree forbidding any form of "collusion" in rate setting. Since that time, the personnel of the various underwriters have bent over backwards to avoid even the appearance of discussing business together. The consent decree does not prohibit exchanging safety information per se—and some amount of information transfer does take place. (Several major underwriters recently joined with the National Safety Council to write a handbook on ground safety at airports.) What's lacking, however, is any attempt by the industry to set rates that reflect adherence to safety standards. Any joint attempt to do so would violate the consent decree.

But what about individual company efforts? Spokesmen for the underwriters say this is simply not feasible under present conditions—which include taxpayers' subsidization of safety, at several billion dollars a year. Under these conditions, insurers' rates are much lower than they would be in a free market—where the *insurers* would bear the cost of safety-standard setting and enforcement. In fact, according to John Lind, safety director of the US Aviation Insurance Group, rates today are at "rock bottom" levels, making it economically infeasible for any one firm to offer discounts for customers adhering to higher safety standards than the FAA mandates.

In addition to these factors, the industry structure also diminishes the underwriters' incentives to make changes. Because the possible losses in a jumbo jet disaster are so huge, underwriters make extensive use of reinsurance. In other words, a particular insurance policy with large potential risk of loss is in effect divided up among companies that insure the insurers. A reinsurer—like Lloyds of London, Swiss Reinsurance Co., and General Reinsurance Co.—shoulders part of the direct insurer's risk in exchange for a share of the premium. When the Pan Am and KLM 747s collided at Tenerife, for example, Swiss Reinsurance was responsible for 3 percent of Pan Am's loss and 1.5 percent of KLM's. Dividing the risks into such small packages makes reinsurance feasible and helps keep direct insurance premiums low. But at the same time it also reduces the incentive of underwriters to police individual airlines, manufacturers, or governments. That incentive will not exist at all until the insurance industry's subsidies are removed—by getting rid of the FAA.

There would also be other pressures promoting air safety in the absence of the FAA. As noted earlier, the existence of FAA certification casts a kind of security blanket over the entire aviation industry, destroying any real safety consciousness on the part of consumers—light-aircraft purchasers, corporate transportation departments, and individual ticket buyers. This false sense of security has removed safety entirely as a factor in the competitive marketplace, much to the delight of manufacturers and airlines, who since the 1920s and the beginning of commercial aviation have felt the need to sidestep people's fear of flying. Yet safety ought to be a vital factor in consumer decisions —at least as long as there are differences of the kind that exist today among planes and airlines.

Several existing organizations serve as illustrations of the kind of information services that would be in demand in the absence of the FAA. The Aviation Safety Institute in Worthington, Ohio, gathers information on safety-related incidents from pilots and air traffic controllers. These people can call a toll-free hot line and report, anonymously, on near-misses, inoperative instrument landing systems, radar-scope failures, etc. The ASI feeds these data into a computer for later analysis and publishes a fortnightly newsletter warning of unsafe conditions (see box). Only a handful of people subscribe to the newsletter today, but in the absence of the FAA, such a newsletter would be marketable and highly in demand, especially by private and corporate pilots.

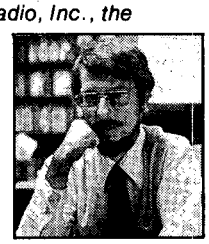
The Aviation Consumer Action Project is one of a variety of Ralph Nader-sponsored consumer activist organizations in Washington. It conducts studies of the ways in which the government is or is not serving the interests of aviation consumers, as opposed to those of airlines and manufacturers. Needless to say, it has a very fertile field to explore. In the absence of the FAA, an organization like ACAP could do a great deal to keep public awareness focused on safety differences among various airlines, thereby providing consumer pressure aimed at improvements. Safety would become a marketing angle, much as steak dinners and flying pubs are today.

THE FAA'S FAILURE, in both air traffic control and air safety, is no mere academic issue. It is literally a matter of life and death. And it's an issue of great urgency in 1979. Congress recently passed a deregulation law substantially relaxing the CAB's economic control of the airlines. Over the next decade there will be a continuing increase in both the number of planes and the number of airlines in operation. More small airfields will get scheduled service. And one thing is patently clear. The FAA cannot cope with such expansion.

In testimony before the House Government Operations Subcommittee last year, John Galipault of the Aviation Safety Institute stated: "We believe that the FAA has progressively taken itself out of the role of leader in aviation safety. . . . We do not have confidence in the FAA's ability to develop responsive, meaningful, and valid requirements for the new 'deregulated carrier fleet.' Not only will it bog down in this effort, but given that the new 'fleet' is defined and can function, the FAA will not have the means for performing certification, surveillance, and quality assurance that it rightly should be doing."

Congress, in short, must bite the bullet. It has finally seen fit to move toward restoring a free market in air transportation. But this new free market must not be shackled with an inadequate, out-of-date air traffic control system or a safety-enforcement mechanism that doesn't work. The FAA should be given a decent burial and the private marketplace allowed to take over its functions. An ATC corporation and an Aviation Underwriters Safety Organization can do the job—if only they're allowed to come into being. The alternative is increasing chaos and carnage in the skies. ◻

Editor Robert Poole, Jr. holds two engineering degrees from MIT and spent seven years in the aerospace/defense industry.
This article was researched under a grant from the Cato Institute, but all views expressed are solely those of the author. The author also wishes to express his appreciation to Aeronautical Radio, Inc., the American Insurance Association, and the Library of the National Air Space Museum at the Smithsonian—all of which gave him access to their archives for research purposes.



The President Is Not OUR LEADER

by William A. Niskanen

ANY WEEKDAY MORNING in any metropolitan area, thousands of cars leave their many separate origins, mix with trucks and buses, and make their way to their many separate destinations. The driver of each car determines when to start, what route to take, and the tactical management of the car in traffic. The cars have been produced by many different companies in a number of different countries over a decade or so. The highways have been constructed by other companies, financed by a number of governments, over routes developed many years ago. The highways are maintained and patrolled by units from a number of local and state governments. Several radio announcers periodically broadcast weather and traffic conditions to augment the information on which the many individual decisions are based.

At the busiest intersection in the central city, where the traffic is too complex to manage by programmed signals, a traffic cop performs his duties. Most of the time, the traffic cop does his job so well that he is nearly invisible; drivers accept his necessary role, follow his signals, and are only vaguely aware of him as they pass. On occasion, some traffic cop will perform his duties with such style and grace that drivers notice and appreciate his skills. Some reporter may even take his picture and write an article about him and his family. His style, however, is ancillary to his duties; it is a nice personal touch, but not essential. On occasion, some traffic cop will not perform his duties very well. At such times, for a very short period, congestion will increase and there may be an accident. In a slightly longer period, traffic will flow around this intersection. If this problem develops again in the evening rush, the traffic cop will probably be replaced and reassigned to some less important duty such as the vice squad. The traffic cops who regularly man this position perform a valuable, limited function that is widely, if somewhat vaguely, appreciated by the local community.

As a rule, the urban traffic "system" works very well. Most drivers arrive at their expected destination within a few minutes of their expected time. Some accidents occur, but most do not substantially reduce traffic flow, and a pattern of accidents usually induces some corrective action. The cars, highways, and traffic-management technology are continuously maintained and improved. Over time, traffic volume and average speed continue to increase and the accident rate continues to decline. Every driver has some complaints, usually about the behavior of other drivers, but there are few obvious changes in the urban traffic system on which there would be a consensus.

HEADING UP TRAFFIC

Who directs or heads the urban traffic system? "Nobody" is the simple answer. No one person directs any combination of the many functions involved in maintaining the flow of urban traffic. The many people involved do not derive the authority for their own actions from any one person. "Everybody" is the more complex answer. Every person makes his own decisions to serve his own interests—subject to the available technology, the legal system, and the necessary interactions forced by the inherent limitations of space and time.

The traffic cop at the busiest intersection probably has a more important role in the urban traffic system than any other one person, but he affects only a small part of the total traffic. No one would seriously contend that he is the "leader" of the urban traffic system. No one has ever even imagined that he is the leader of the urban community. No one, except maybe his children, would ever expect the traffic cop to provide moral leadership. The urban community has every reason to expect the traffic cop to do his limited job well, without burdening him with expectations about a role that is inconsistent with the nature of the urban traffic system and is beyond the capability of mere mortals.

The president of the United States is a traffic cop. He directs the flow of traffic through the Oval Office, the busiest intersection of the federal government. This is an important, limited role. The president has a more important role than that of the urban traffic cop because some very dangerous cargoes move through his intersection. Selection of the president is more important because it is more difficult to replace the incumbent for poor performance.

Some presidents, such as Coolidge, perform their role so well that they are almost invisible; other politicians and officials accept his necessary role, follow his signals, and are only vaguely aware of him as they pass. Some presidents, such as Kennedy, perform their role with such style that academics and Sunday supplement writers fail to notice whether his performance is satisfactory. Some presidents, such as Nixon, do not perform their duties very well. For a short period, some important decisions will be delayed and some mistakes will be made on other important decisions. In the slightly longer period, more of the political traffic will flow around the Oval Office. If this problem persists, the incumbent president is replaced and reassigned to write his memoirs.

The president as a traffic cop is a very different role from the president as the head of the federal government, the leader of the nation, and a moral example to the world. The president as a traffic cop, however, is both more realistic and less dangerous than the contemporary image of this role. The urban traffic system is a better model of the federal government than the hierarchy suggested by the organization charts. The political traffic system involves thousands of people choosing their own routes toward their private ends. Most of this traffic flows over routes that do not pass through the president's intersection. The many politicians and officials derive the authority for their decisions, not from the president, but from the Constitution and legislation.

(Continued on p. 36.)

Where the Hell Is Pueblo, Colorado?

An obscure federal agency in this Rocky Mountain city offers all you never wanted to know about practically everything.

by Pamela Elliott

ASK YOURSELF: would you order a pamphlet titled "Dishing up the Dog and Cat Food" or "Causes and Preventions of Car Rust" or "Imaginative Ways with Bathrooms" or even "And Now a Word about Shampoo"? Neither does anyone else. How about some tips on "imaginative junk" or "drinking etiquette" or "attracting and feeding birds"? No? Yet at least one federal agency wonders why more Americans aren't jumping at the chance to obtain this valuable information.

Of course, not all government publications offered by the Consumer Information Service are obviously ridiculous, but little of the information related in the 400-plus CIS titles couldn't be found in everyone's local library. And indeed, the frivolous nature of some of the offerings does not obscure disturbing questions about the organization itself.

The relatively new federal agency has recently become highly visible as the result of a national advertising campaign, a campaign that has spawned the appropriate bumpersticker question, Where the hell is Pueblo, Colorado? For it is from Pueblo that consumer brochures designed, in the words of one CIS employee, "to help people help themselves," are distributed. It is to Pueblo that consumers are being urged to write for "Tips on Canker Sores" and scores of other such leaflets dispensing vital information.

Once a quiet trading-post town, Pueblo rests 100 miles south of Denver and is now the second-largest city in the state. Pueblo has a western ambience, thanks to nearby sagebrush and mountains. Most of America knows Pueblo, not for its impressive collection of Indian artifacts, but for its box number, from which can issue colorful brochures—"Varicose Veins," "The Price of Death," and "Getting a Summer Tan." The little television voice that tells America to "write Pueblo, Colorado, Box whatever, 81009" just after a little voice sings, "Learn the happy facts and be a happier you," is government-funded, though, and a tax-burdened public should want a closer look into this new agency.

On October 26, 1970, President Nixon issued an executive order creating the Consumer Product Information Coordinating Center. The center opened for business in 1971 with the original intention of providing the public with government-compiled information on product safety and effectiveness. Gradually, like other aspects of government, the center grew in self-appointed responsibility. It had soon taken on the task of getting government publications to a central location, from which to distribute information thought to be desired by consumers. With such a noble goal, the center was bequeathed a Government Printing Office warehouse in Pueblo to use for distribution.

In 1976 the CIS initiated an intensive media campaign to prompt consumers' letter writing to Pueblo. Television commercials, news releases entitled "New for Consumers," and radio spots daily exhort the public to write to Pueblo for a free brochure on some facet of life or death. As a result, over half the mail sent to the CIS in Pueblo is the direct result of that advertising effort.

Cars now sport bumperstickers asking the damned whereabouts of Pueblo, Colorado, and though people don't know exactly what else Pueblo is, they do know someone is always telling them to write there for some reason or another. What Pueblo is other than the site of a CIS warehouse really shouldn't worry taxpayers. But what comes out of that one small building definitely should.

Eighteen surprisingly atypical bureaucrats operate the CIS in Washington, D.C. These bureaucrats ransack the government agencies in town and collect a list of publications they think Americans should be privy to. The Government Printing Office (GPO) prints them up, the center sponsors the advertising campaign, and Pueblo distributes the little tokens of governmental concern for its people. The 1977-78 budget for the center was $4.7 million, but that sum only covers advertising and distribution. Each individual agency has to pay for research, writing, and printing —adding tens of millions to the real bill.

What makes the employees at the CIS atypical *bureaucrats* is not that their budget is large but that they number 18 and have their fingers in all 124 agencies in the government. What makes them surprisingly *atypical* is that they appear to do a remarkably efficient job of preparing to shovel out the material to the public.

About 30 agencies provide the bulk of the CIS publications, on everything from OSHA's advice to ranchers "not to fall into manure pits," to Agriculture's pamphlet on the "elasticity of food consumption associated with changes in income in developing countries." The center has established liaisons with each of these agencies and suggests to the various bureaucracies what to print and what not to print and edits for readability and thrift. The 18 also strive to prevent costly duplication of publications.

"To move a bureaucracy is almost impossible," says HUD liaison Alice Shabacoff in the Office of Consumer Affairs. "It's like trying to move an elephant with a pen. But the center has done just that. I'd say they were one of the most efficient groups in the entire government."

To prove her point Shabacoff tells of a year-long project of one woman in her own agency to research and write "Wise Rental Practices." In another division of HUD, at the same time, an almost carbon-

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copy publication was being written, costing in time and expenses thousands of dollars in needless duplication. "That type of thing used to happen quite often," says CIS Director David Peterson. "Two agencies never know what the other is doing unless we tell them, and hopefully then we can keep at least publications organized."

If government publications there will be, then organizing them may be a praiseworthy objective. The center, however, also wants credit for a "successful" letter-writing campaign to Pueblo, Colorado, designed so that Americans can help themselves to some purportedly vital information. But Pueblo is far from being deluged by requests.

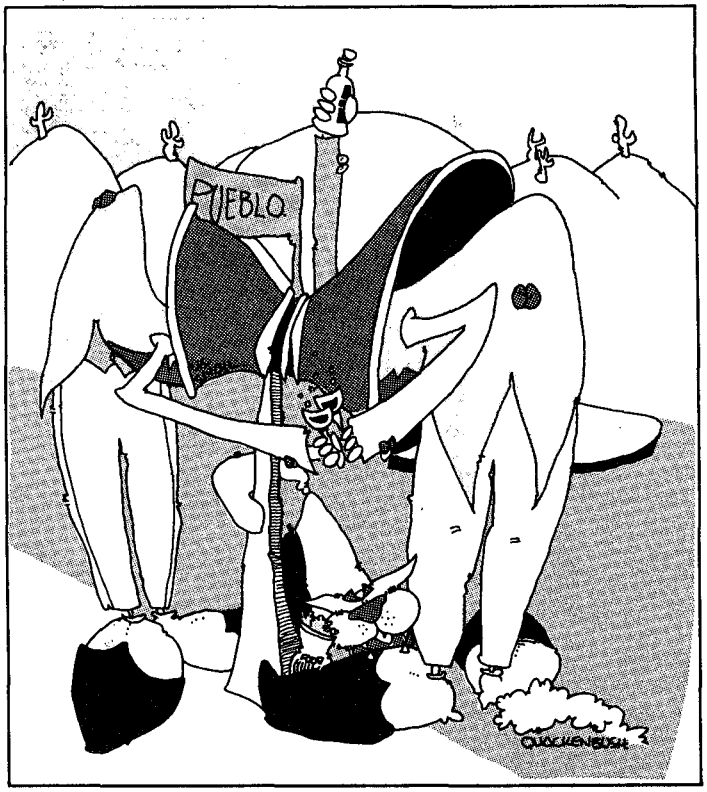
Demographic studies made by the center have shown that a vast majority of those who respond to the advertising campaigns are well-educated and middle-income Americans, but the easy-reading, free CIS publications such as "Rx for Sound Teeth" and "The Food Stamp Program" are designed for someone else. Not only are less-affluent, less-educated Americans failing to cash in on the service, but their tax dollars are subsidizing its use by the more-advantaged.

"The problem is, we can supply the information and advice on how to get it, but we can't supply the initiative to order it," says Tom Catlin, distribution coordinator at the center. Even with an average 12,000 press releases mailed weekly to newspapers and magazines, another 300 to radio stations nationwide, and everyone's favorite CIS television commercial seen more often than Lucy reruns, the lower-income, less-educated public the center yearns to assist won't write to Pueblo.

In 1977, CIS catalogues with order blanks went out to the remarkable sum of 20 million people. The 16-page catalogues list over 400 different publications annually. But it would seem the center is better at distributing them than at persuading people to order from them. In the same year, it sent out two million more copies of its catalogue than of all its other publications combined.

Of course, the 18 million publications distributed by the CIS in 1977 represent a tremendous increase; two years earlier, distribution amounted to only 8 million. And it is certain that without the CIS only a handful of publications could have been circulated by the various government agencies, which do not have the funds to advertise on such a large scale.

Catlin says that an average distribution of 2,000 per publication is great for an agency but a mere drop in the bucket for the CIS. With its continuing intensive advertising, the center hopes that in 1979 the number of brochures distributed will hit 20 million, topping the number of catalogues advertising them.



The stated goal of the CIS is to help educate and transmit government-compiled information to the public. But it appears that Americans do not want to be educated with the facts their government is spending millions to discover and print.

Even with 18 million CIS publications distributed in 1977, on the optimistic assumption that each publication went to a new recipient, only 7 Americans in 100 ever saw a single one. In fact, though, Pueblo records show that only 4 million different Americans—or about 1.6 percent of the population—were recipients of the publications. Thus, more than 98 percent of Americans are subsidizing a program they don't use.

But how much money is actually spent on the CIS? A good question, and one the government has made it impossible to answer. The center spends $4.5 million on advertising and distribution. The GPO lays out almost another $2.5 million annually to print the free materials. Though 70 percent of CIS publications are free, some costing anywhere from 35 cents to $3.40 are also distributed. How much is spent to print those is hidden somewhere within each agency's individual budget, as is the cost of research and writing.

After the various agencies print up materials on their own, the CIS goes to the agency liaison for an estimate of how many publications the public will order. The CIS sometimes suggests publishing projects to the agencies, based on CIS public surveys, letters written to the center, and watching current affairs. The GPO then determines the cost of producing the publication and attaches a price to it that the individual agencies must pay. (By law, under Title 44, the public printer must recover the costs of printing plus 50 percent profit on all publications. But there is some question how prices are fixed, since, as one CIS official said, "each year the public printer loses more and more money.") The agencies can then either hand over the publications to the CIS for free distribution or require it to sell them and return the proceeds.

As a result of entwined agency printing budgets, the separate costs for printing are buried deep inside the GPO warehouse, which, in over 400,000 square feet, stores 25,000 different titles coming to the printer from 124 agencies. (The Department of Agriculture alone turned out 2,649 different publications in 1976, and the agency is quick to disclose that this is quite a decrease from 10 years ago.) The CIS uses only about 400 publications a year with about 60 new titles annually. The total cost to the taxpayers for the CIS is impossible to determine.

At least it is known, however, how many millions are used in Pueblo for distribution and how much is spent in D.C. for advertising and management—in the 1977-78 fiscal year, $3.6 million and $1.1 million. Up until October 1977 the legislative

Illustration by Liza Quackenbush

office budget included the CIS's distribution costs, but thanks to a Congress worried by rising expenses, these costs were transferred directly to the center, thus reducing the legislative office budget.

Whatever the taxpayers' actual burden, the fact remains that it is a service that lower-income taxpayers don't use and apparently don't want. Indeed, a closer look at the CIS publications reveals why the public isn't rushing to write to Pueblo, Colorado.

CIS materials range in extremes from a 32-page pamphlet, "Color in Our Daily Lives," to a valuable publication informing us that there is no preventive or cure for the common cold—in only six pages. As a matter of fact, telling more than anyone could possibly want to know is a common trait of the CIS publications. The Energy Research and Development Administration provides a nicely designed pamphlet on quarks (one of the little things they get when they split atoms). Another, "Nutrition Guide for Pet Owners," comes with full-page photos of dogs and cats. Animal lovers perhaps won't feel so badly knowing their tax dollars are going for 8 x 11 glossies of beagles and Siamese.

Pamela Elliott has a degree in journalism from the University of Missouri and has worked as a reporter in the Appalachian region. She is now working toward a law degree.

Even after editing by the CIS, absurd statements sometimes appear in the distributed brochures. In one, "So You're Going to Use a Fireplace," published by the Office of Consumer Affairs, the reader learns "not to get too close to the fire while wearing loose cloths"—one may catch on fire. In the "Imaginative Bathrooms" brochure one can read, "The bathroom even in its conventional use is a very important place. There is no one who can do without a bathroom or would want to. The bathroom is the first place we go in the morning and the last place at night." Who can say how America survived before that piece of governmental knowledge was exposed?

Because the American public isn't (yet, and if ever) finding a great need for contacting Pueblo, undistributed publications must every two years be destroyed. Distribution Coordinator Catlin estimates the CIS only destroys about 60,000 publications annually or, at an average 20 cents for printing costs, about $12,000 worth—a pittance to the GPO, which has a $100 million budget for congressional printing costs alone.

Those that aren't destroyed, or distributed, are stored or sent back to the source, the agency that provided them. As in the private publishing business, the CIS must guesstimate which publications will move and how many to order from the GPO. Unlike the private publishing business, however, when the center guesswork fails, the American taxpayer loses money to an incinerator. Ironically, the publications that move the fastest out of Pueblo are governmental tips on how to save money.

But perhaps the biggest worry over the government's publishing business shouldn't be about wasting time, energy, and money with inane ideas or statements. A handful of publications are much more costly to Americans—not in terms of money, but rather in advancing particular causes and viewpoints.

One CIS pamphlet on economics asserts that, with a growing population, America needs a growing government. It also deprecates competition in the supply of electricity or natural gas as potentially contrary to the public interest. Other publications the CIS distributes editorialize on cigarette smoking and laetrile. Yet another allows free advertising for its writer, a camping store operator, who lists the names of his stores in an article on backpacking that the CIS distributes for free.

To be fair, the center does distribute occasional worthwhile publications on subjects such as "employment for the aged" or "drinking and driving for teenagers." Nevertheless, the undeniable fact is that the public can learn everything in the CIS brochures by looking in their public library or writing to a private company.

In view of the redundancy of its operations, the frequently frivolous nature of the publications, and the lackluster response from consumers, the center deserves a hard look by a government-weary public. Taxpayers are paying millions of dollars for a service that only a tiny portion of the public uses.

A more apt bumpersticker might read, Who the hell needs Pueblo, Colorado? ◻

Niskanen

(*Continued from p. 33.*)

Most of the decisions made within the federal political system are not significantly affected by the party or the personality of the president. Most decisions would be unchanged if a signature machine, following programmed rules, were substituted for a person as the president. In complex conditions, a good president, like a good traffic cop, can make better decisions than can be programmed, but a bad president can make worse decisions. A president has about the same relative influence as a university president. No one has any illusions that a university president actually runs a university.

Where did the contemporary image of the president as a director, leader, and moral teacher arise? The president is not even the head of the federal government; his only constitutional responsibilities are to be chief executive and commander of the armed forces. Members of Congress and the judiciary do not work for the president. There is no single head, or final arbiter, of the federal government.

The contemporary view that the president is the leader of the nation is even more absurd. Our complex national community is not a hierarchy. The federal government is not the superior institution in the nation, and its chief traffic cop has no claim to be its leader.

The view that the president should provide moral guidance to the world is the most absurd. The process of selecting politicians does not reinforce moral character, and there is some evidence that this is a subordinate trait of the most successful politicians. The US federal government, in any case, does not have a world mission; this government was established to "secure the Blessings of Liberty to *ourselves* and *our* Posterity" (my emphasis).

Contemporary political writers have not served us very well. They have assumed, like medieval theologians, that the appearance of order proves the existence of a director. They have confused political science with political biography. The president has a difficult, important, limited role. We should not burden him with expectations that he will perform a role that is beyond human capabilities, a role that is both unnecessary and inconsistent with the character of American institutions. If we maintain these unrealistic expectations, every president will be perceived to be a failure, and some, by trying to do too much, will fail in the important role they could perform.

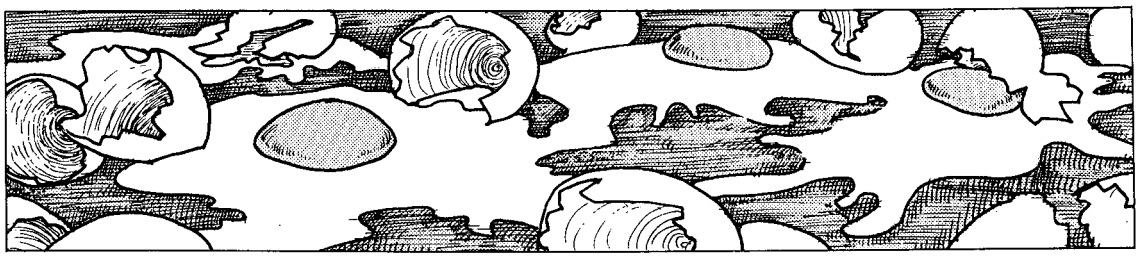
One gains a better sense of the nature of the federal government and the American community from the great paintings of Pieter Brueghel than from contemporary political writing. "The Carrying of the Cross" and "Landscape with the Fall of Icarus" are full of life and a sense of order, but one looks with difficulty to find the central heroic figure. ◻

Chief economist for a major US corporation, Mr. Niskanen is the author of Representative Government and Bureacracy *and was featured in a REASON interview (November 1978).*

Fowl Play in the Bahamas

Socialists always say you have to break a few eggs if you're going to make an omelette. But all of them?

by Bruce Bartlett



THE BAHAMAS are a small group of islands off the coast of Florida. For three centuries they were a British colony that had grown wealthy as a banking and tourism center. In 1973, however, the Bahamas became an independent nation. Since then the socialist government of Prime Minister Lynden Pindling has done its best to destroy the nation's prosperity. The egg industry is a case in point.

Until 1975 the Hatchet Bay poultry plantation on Eleuthera Island supplied approximately 60 percent of the Bahamas' eggs, as well as milk and other poultry products. This 2,500-acre farm, which had been owned by Americans for 40 years, was not an especially profitable operation but managed to turn a coin nevertheless. Over the decade prior to 1975 its total profits added up to only $200,000.

In 1975 the government decided to buy Hatchet Bay for $3 million, borrowed from private banks. The motive, apparently, was to make some money for the government, although doubts about the probability of this outcome were widespread.

Trouble resulted almost immediately. A political hack with no experience in agriculture or the egg business was named manager of Hatchet Bay because of his long-time support for the ruling Progressive Liberal Party. Within a year the existing foreign management staff had been dismissed. Soon there were reports of thousands of chickens dying from disease and overcrowding. To correct the situation 20,000 chicks were imported from Florida. But management had failed to obtain the proper customs clearance, so the chicks had to stay aboard the aircraft in the hot sun for over five hours until matters were cleared up. This delay led to the death of thousands of the chicks from suffocation—and a loss of $24,000. At this time Hatchet Bay's outstanding debts amounted to more than $500,000, and its suppliers began to cut off credit.

In May 1977 Hatchet Bay opened a new poultry processing plant. During opening-day ceremonies Prime Minister Pindling called Hatchet Bay "the greatest success story in the history of Bahamian agriculture." Ironically, the plant had to close a few days later when Hatchet Bay's chickens had all died. By now the company was unable to raise funds for importing more chicks from Florida.

By mid-1977, the Bahamas, which had previously been self-sufficient in egg production, had an acute egg shortage. Poultry was also in short supply. Foreign imports could not make up the difference because there is a tariff of 60 cents on each dozen eggs imported. The result is that hotels catering to tourists snap up all available eggs, leaving almost none for the general populace.

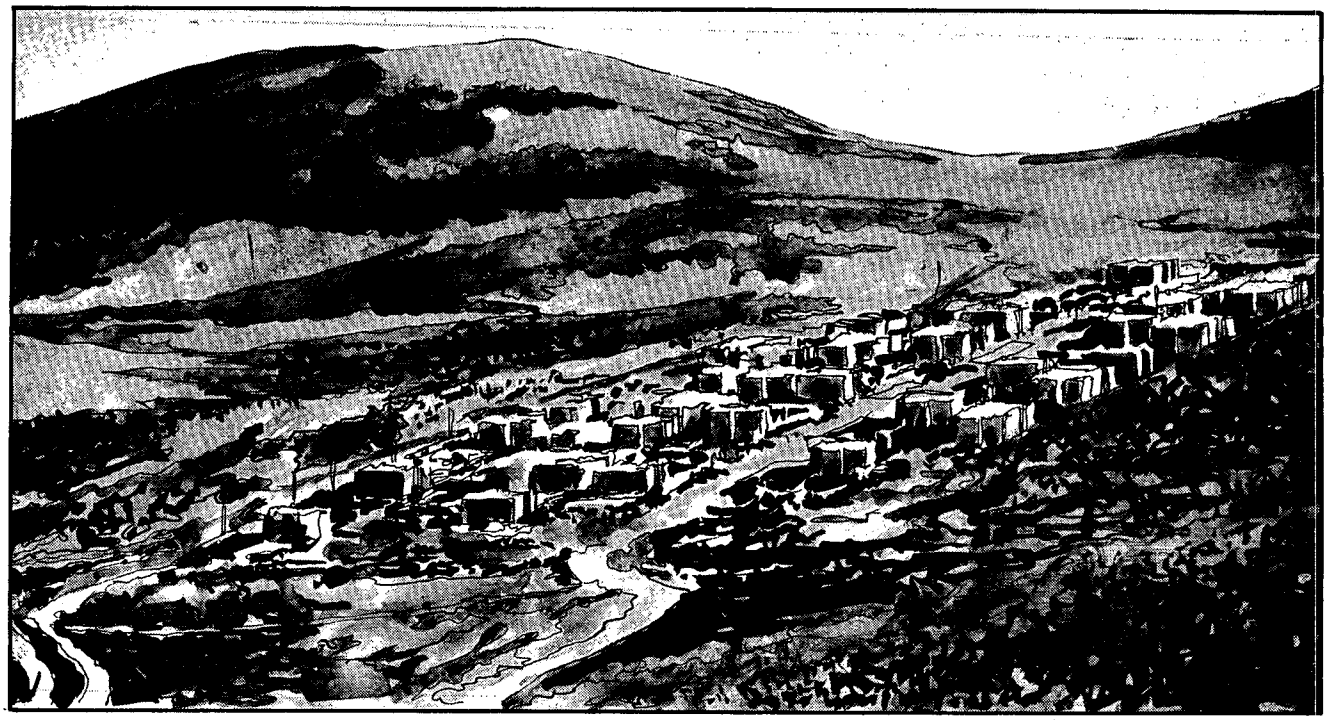
In spite of this failure the Progressive Liberal Party won reelection in August 1977 but promised a new program to correct management problems and revitalize the Hatchet Bay facilities. The general manager was dismissed, but all else remained unchanged. As of 1978, eggs were still in short supply, as were chickens. Feed shortages combined with continued poor management had resulted in the deaths of 27,000 more chickens and the loss of more than $500,000 over a one-year period.

Since the government continues to refuse to lower the tariffs or price controls on eggs, the people have resorted to ingenuity to get eggs. It was discovered that a loophole in the law excluded jumbo-sized eggs from price controls, but with tariffs and transportation costs from the United States, a dozen of such eggs must sell for $1.69. This compares to 70-80 cents for such eggs in the United States.

It is now expected that at least $1 million more must be invested in Hatchet Bay to get it back on its feet. Debts continue to mount, and interest on the debt is estimated to be as much as $300,000 per year at present. Meanwhile, the government is negotiating with an American firm to run Hatchet Bay.

So much for today's object lesson on socialism in practice. ◧

Bruce Bartlett is a Washington-based writer and political consultant, with previous contributions to various magazines and newspapers, including REASON.



Liberate the West Bank

Converting the West Bank to a free-trade zone could replace guns with butter.

by Mark Frazier

WHILE THE IDEA of a nightwatchman state has gone somewhat out of fashion, circumstances today suggest that it may find service again in the Middle East. On the issue of political control over the West Bank, which has so far escaped resolution, free enterprise could be brought to bear in a singularly progressive way.

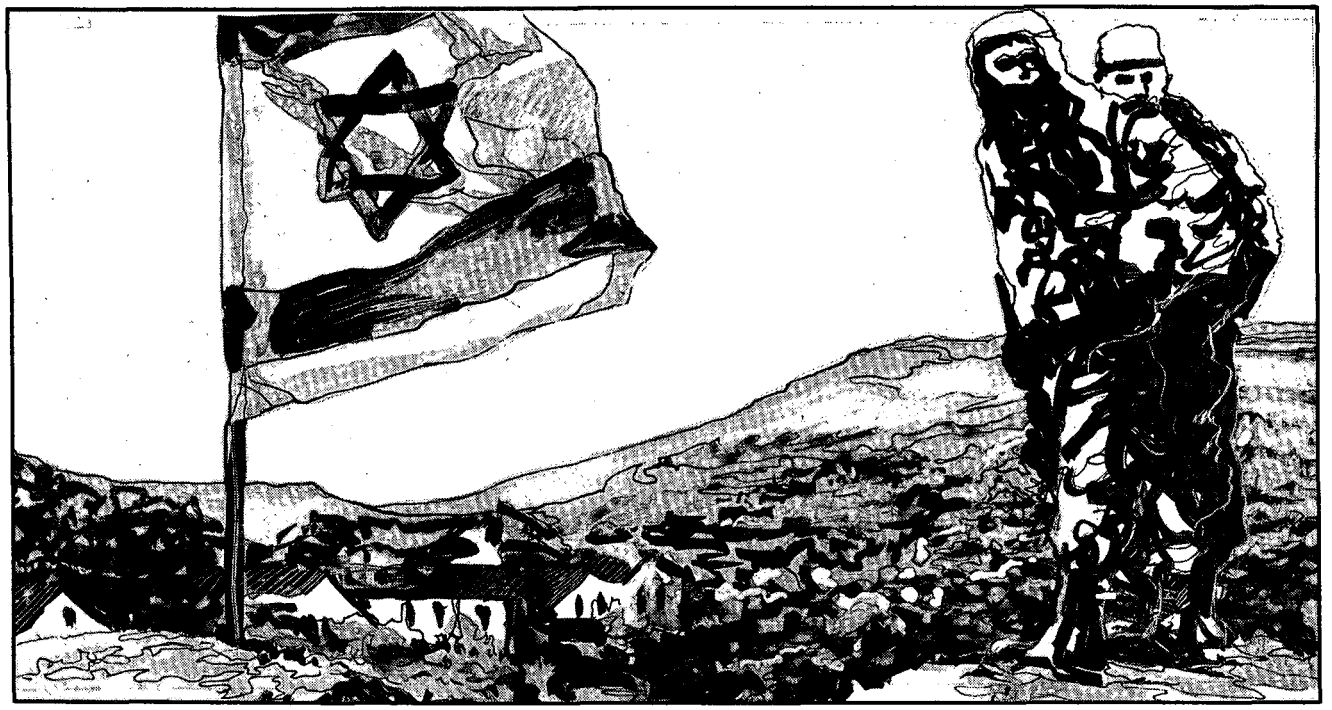
Trade has been recognized for centuries as a maker of peace. As Alexander Pope wrote, "What man could ravish, commerce could bestow; and he returned a friend who came a foe." The time has come when a laissez-faire policy might gain support from Arabs and Israelis alike. Turning the West Bank into a free zone could not only benefit both sides economically but could point the way out of apparently intractable political problems.

A free-trade zone on the West Bank would certainly recommend itself on economic grounds. Since the end of World War II, free ports and free zones have proliferated as a means of stimulating the economy of host countries. Ranging in size from a few acres to several hundred square miles, they attract commerce by removing barriers to trade—taxes, tariffs, and other controls. Liberal tariff policies and low taxes have prompted spectacular growth in Hong Kong and Singapore for more than a generation. By granting freedom to capital movements, Switzerland and the Bahamas have turned into major financial centers.

Given a similar environment, the West Bank could experience an economic boom. A free zone would open a gateway for commerce between Israel and Jordan. Billions of dollars in investment might be drawn to a tax-free zone. As the economy of the area grew, Palestinians might become more moderate politically, having new-found assets to conserve.

Limiting political control of the zone might lead to other benefits. In a free zone on the West Bank, administrators would defend the lives and property of residents, rather than intervene in their peaceful economic pursuits. The result would be true self-determination for residents of the West Bank—autonomy as individuals rather than as politicized groups.

A free zone thus would tend to make less important the issue of political control over the West Bank. The crucial question about administrators could be seen to be, Who does what? rather than, What is the ethnic background of the administrator? In a free zone, the religious or national backgrounds of administrators would recede from concern, because the administrators could exercise very little substantive power.



Evidence compiled by freeport specialist Alvin Rabushka, a senior fellow of the Hoover Institution at Stanford University, suggests that relations among members of different ethnic groups actually improve in free-trade areas. In studies of racial and national tensions along the Pacific basin, Rabushka found that hostilities among groups are greatest in areas where power struggles have proven remunerative. Such conditions exist when a polity has the ability to disburse significant favors to some at the expense of others. The larger the benefits to be gained by wielding influence over the government, the stronger are the incentives for individuals to organize in blocs—either for aggrandizement or for political self-defense against others.

In contrast to this unhappy result, free ports and free zones seem to foster peaceable relations. These areas, Rabushka has noted in such works as *A Theory of Racial Harmony*, permit individuals to interact with one another in a depoliticized marketplace. The governing bodies of the free zones are so limited in their powers that attempting to capture them is far less rewarding than engaging in productive commercial enterprises.

A free zone on the West Bank would reduce the volatility of relationships with its neighbors, as well as among its residents. Because of its absence of taxing power, the free zone authority would be unable to support a military buildup threatening to Israel or Jordan. Present dangers of Soviet penetration, moreover, could be greatly reduced by organizing the economy along free-enterprise lines.

Although a compelling case for a West Bank zone can be made on these grounds, prospects for its realization depend upon the attitudes and policies of the states in the region. Here there are increasing signs for hope from both the Arab and Israeli sides.

REASONS FOR HOPE

From the first, the Israelis have adopted a quite enlightened hands-off economic policy toward residents of the area—a policy that Milton Friedman has called "almost literal laissez-faire in the economic field." Shortly after the occupation of the area by Israel in 1967, the Labor government's minister of defense, Moshe Dayan, approved a competing-currencies system in which Jordanian and Israeli currencies circulate side by side. Residents of the West Bank are also respected in their rights to grow whatever they wish and to sell produce in the West Bank or Jordan for whatever the market can bear. Under the Likud government of Prime Minister Begin, officials far more sympathetic to the free market than their predecessors have taken up key economic posts.

Arab nations have also made significant, if halting, progress on a free-market course. Particularly encouraging in this regard is Egypt. In 1975 President Sadat, overcoming resistance from Nasserites in his economics ministry, designated 2,000 square miles east of the Suez Canal as a free-trade zone, effective upon Israeli withdrawal. While exemptions from taxes and red tape are proving difficult to obtain in present Egyptian free-trade zones, millions of dollars in outside investment have been attracted to the country under the new "open door" policy. A noteworthy side benefit of the designation of the huge Sinai zone has been its calming effect on Israel. In the words of Anan Safadi of the Jerusalem *Post*, writing shortly after the designation was announced, the move has been recognized as a gesture of "goodwill to Israel" with its indication that the area will be turned to civilian rather than military uses.

On Israel's eastern frontiers, Arab nations have also taken steps to implement free-trade policies. The *Wall Street Journal* of August 9, 1978, chronicled some of the developments in an article headlining Jordan's "Free Enterprise Course." Noting that the government now offers tax concessions to foreign investors, the *Journal* remarked that even domestic businesses are given a free hand. "The whole attitude of this country is geared towards promoting free enterprise, not towards state ownership," it quoted the vice-chairman of a large Jordanian oil refinery. In contrast to the dismal performance of other states' lending institutions, Jordan's independent Arab Bank has grown to $4 billion in assets, despite nationalization of many of its overseas branches.

Syria, too, has begun to open itself more to market forces. In 1971, by a legislative decree, the country established the basis for six free-trade zones with partial tax and tariff exemptions. Under the terms of a recent draft law, the exemptions in the free-trade areas are to be widened and lengthened in duration. Syria has also reached agreement with Jordan to establish a new joint free industrial

zone on the border of the two countries, amounting to four square kilometers. The move to expand free-trade zones is not in keeping with the socialist rhetoric of Syria's ruling Ba'ath party, but it reflects the attractiveness of the concept economically—and its potential to heal once-inflamed relations between nations.

WORKING IT OUT

The depoliticized status of free ports and free zones makes them more open than other polities to special diplomatic standing. Before World War II, Danzig in Poland held special status as an international city under a mandate from the League of Nations. In the postwar period, Tangier in Morocco also was run as an international free port.

As a free zone, the West Bank would lend itself to extension of such precedents. It might neither be a state nor an administrative unit of a state. Rather, its affairs might be looked after by a condominium arrangement, with representatives of Israel, Jordan, elected West Bank representatives, and perhaps an international organization. The functional responsibilities of the parties involved in administration could be apportioned through negotiation; one scenario would have Israel providing security, Jordan the schools, and the Palestinian residents whatever additional services were desired.

Financing for the minimal administrative structure might be provided by the rental of tax-exempt land in the zone to commercial users. Prior to its defeat in the 1967 war, the government of Jordan owned substantial tracts of land on the West Bank. This land might well become the property of the free zone administrative authority, which would finance its operations out of the leases. Some developing nations reap as much as $3.7 million in leases per square mile each year from rented land in free-trade zones. Any shortfalls in income could easily be met by contributions from Saudi Arabia, which has a great stake in peaceful resolution of the Palestinian problem.

The time has come when a laissez-faire policy might gain support from Arabs and Israelis alike.

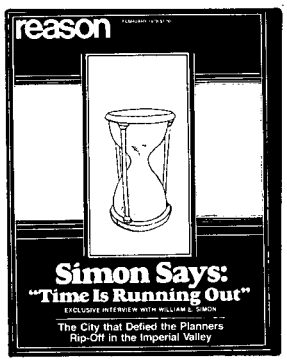
Many difficulties would be faced in establishing the West Bank as a free zone. Palestinians and their allies would be likely to insist on a passport and flag of their own or on other symbolic attributes of independence that would be highly laden with emotion. Israelis might find it difficult to withdraw from active supervision of the lives of residents in the area, even if they held responsibility for protecting people and property from the use of force. Yet the free-zone approach would lessen the intensity of the issues to be settled, because of the underlying nonbelligerency of the area's administration. In the long term, the free movement of individuals and goods on the West Bank would point the way to peace for the region as a whole, possibly through the creation of a Middle Eastern common market.

The time appears to be right to begin beating swords into plowshares. The breakthroughs from Camp David show a new willingness on both sides to address the concerns of the other. As Dr. Samuel Johnson once remarked, "There are few ways in which man can be more innocently employed than making money." And there are few ways in which men can find a more enduring peace than on a political basis that creates mutual economic advantage. ◻

Mark Frazier is a specialist in freeport studies for the Santa Barbara-based Sabre Foundation. A shorter version of this proposal appeared earlier as a position paper of the Ripon Society.

Have You Seen...

...what Simon says?



February 1978 $1.50

This issue features REASON's interview with William E. Simon, former secretary of the Treasury and recently the author of the bestselling *A Time for Truth*. Simon reveals the ineptitude of government as observed from the inside and tells why after Carter he wouldn't even put *your* money in the stock market. Also in the issue are Dick Bjornseth's illustrated essay on the success of Houston's non-zoning, Felix Morley's reflections on the founding of *Human Events*, Craig Roberts's analysis of the Imperial Valley—Interior Department battle, and Stephen Barone's satire on national health insurance. Plus: Edith Efron's controversial Viewpoint on libertarian-leftist alliances, Tibor Machan on the Bakke situation, and Mark Tier on the improbability of deflation.

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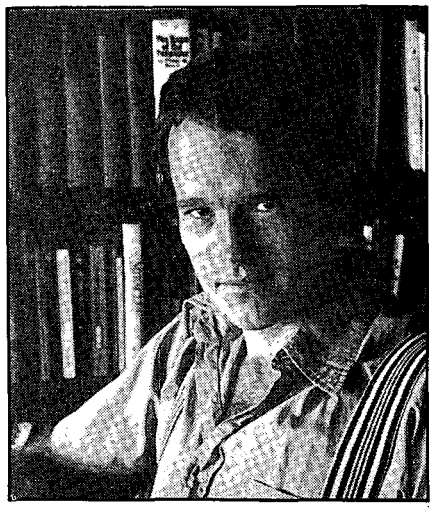
Corsets and Currency

viewpoint



James Dale Davidson

It has been some time since the prospect was raised of a correlation between tastes in fashion and economic activity. Someone, whose name is less memorable than his thought, pointed out that there has been a historically revealing relationship between the trappings of women and inflation, with inflation minimal only when women wore long dresses and corsets. Presumably, the tighter the corsets were cinched, the higher the value of the unit of currency. As the corsets were uncinched, then shed altogether; as the skirts shortened in length and necklines plunged, increase in monetary expansion seemed to follow.

Once pointed out, this relationship between fashion and economics raises the possibility of an entirely new form of government intervention to suppress the consequences of monetary depreciation. Some enterprising administrator in the Council on Wage and Price Stability might make corset wearing mandatory. The president could announce from the White House that the first lady had cinched herself in and was pleased to do so as her small contribution to keeping the price of Rice Krispies low. The Commerce secretary, being a woman, could call a press conference to discuss the relative merits of various corset designs. Someone would undoubtedly point out that corsets with stays are more binding and uncomfortable than those composed solely of elastic. This, it might be inferred, would make them more effective in the fight against inflation. Voluntary guidelines about the number and length of stays could be posted at the main entrances to shopping centers and reproduced on the first page of the Sears-Roebuck Catalogue.

One could imagine much more of the scenario. Ecology groups acting on the fact that the stays in the most expensive corsets are of whalebone would counsel open defiance of Phase One of the Corset Campaign. More sophisticated observers would point out that focusing on corsets alone would be to isolate only one aspect of a many-faceted problem. Further directives would have to be issued to lower the hemline on women's dresses and to button all blouses up to the neck. And the wearing of hats by women would also be in order, as they have historically been worn during eras of low inflation. If the campaign went far enough, it could extend to footwear. Shoes with pointed toes might help tighten the money supply.

The danger of the correlation between fashion and economic activity being acted upon by the State is nil. This is not because the correlations are any less scientific or logical than those that politicians and bureaucrats embrace with alacrity. No, it is merely the fact that everyone's experience of fashion is so intimate and personal that it renders government intervention into that field, in ways counter to the public taste, a matter of extraordinary absurdity. At the same time, it is as evident as any amount of argument could make it that there is no direct causal relationship between the wearing of corsets and the increase in the value of the currency. Every woman alive, and indeed all the men, could wear three corsets apiece and this could not stop inflation if at the same time there were an increase in the monetary base and a vast extension of credit.

The fact that there is no causal relationship, however, should not blind us to the possibility that a correlation may indeed be genuine and that it rests upon factors that can be placed in reach of explanatory principles. For example, there can be little doubt that when healthy people voluntarily confine their bodies in corsets, and this practice is so general as to be the prevailing fashion, it is a period, both literally and figuratively, of self-restraint. Arguably, this need not be true in each individual case. Some persons undoubtedly wear corsets because of a *lack* of self-restraint; not having limited their caloric intake in order to maintain an acceptable figure, they submit instead to the rigors of elastic and stays. That admitted, when uncomfortable undergarments become the fashion for persons of normal build, it can suggest a willingness to forgo some immediate gratification.

That certain kinds of fashion do correspond to differing economic prospects is not entirely preposterous. Fashion, whether in clothes or any other aspect of life, is definitively what is "in the air." If the public perception of the future could be said to be "in the air" as well, there may be a subtle calculus by which the perceptions and tastes are brought into correspondence. Who knows why this should be—why, for instance, plunging necklines should in any respect correlate with currency expansion? Perhaps animal spirits run higher in a time of a false inflationary boom than during a period of stable growth when everyone must weary himself with working. Perhaps, too, the inflationary boomlet puts people in a party mood because there is an unconscious realization that the prosperity cannot last and one must live it up while one can. Indeed, it might be a general consequence of inflation that individuals take a more near-term view of relationships of all sorts. This would be a logical consequence of the disruption of expectations, even when the first consequence is the unanticipated boom.

Now consider another possibility. Suppose there is a kind of precognition of economic prospects that is reflected in trends of fashion and taste. If it were true, and past correlations held, then the sum total of millions of individual decisions about hemlines, necklines, and let us not forget corsets, could suggest something about the time to come. I introduce this possibility because, as those who watch such things will attest, there has been a perceptible recent trend toward what might be called "deflationary" dress. To be sure, corsets are not yet the rage, nor do I expect them to be. Their sales are up, however (Gadzooks), and many of the other "fashion dictators" suggest the same thing.

Men's fashion seems to hark back almost directly to that of the late '20s and early '30s. Glance at almost any photo of that period and you see today's well-dressed man. He is wearing narrow leather shoes, heavily pleated pants, and

probably a double-breasted jacket. Most notable is his shirt collar, of which the late boom and early depression had several treatments: the pointed collar with pin, the rounded collar with pin (Herbert Hoover's favorite), and the wing collar. That's right, the wing collar. It has not been seen in anything akin to popular fashion since the Great Depression. What is more, the return of the hat—the late '20s style slouch hat, no less—is also reminiscent of the fashion of the Great Depression.

This could mean little or nothing. But there is also the more fascinating possibility: that somehow the haberdashers and dry goods merchants, in conjunction with Polo (not yet Brooks Brothers) have through an intuitive entrepreneurship given us the clothes to wear through a depression period. This is clearly the furthest thing in the world from their minds, but it may nonetheless be just that. Even if their designs are merely nostalgic, the question arises, Why depression nostalgia? They could have drawn on many periods of history and many cultures for their inspiration. Witness the Nehru jacket and the Chinese coolie look that briefly fascinated designers a few years ago. They could go to togas, African robes, the polyester leisure suit, anything. They have not. They have hearkened back to the styles, cloths, and weaves characteristic of the Great Depression. If, in fact, the real estate market crashes, there is a credit crisis in the banking system, and somehow or other—in spite of the politicians' best efforts—the reflation fails, then you can thank the tailors for the tip. □

taxes

Year-End Tax Ploys

The subject of taxes—particularly income taxes—is a nasty one. Perhaps that's why we taxpayers refuse to think about year-end tax planning until it's too late, thus giving the government millions of extra tax dollars yearly.

Well, the time for such planning—which should be done around September or October—is long past for this year. If you haven't talked with your tax advisor or preparer before now, there's little chance to come up with the kind of tax ploys that can net you thousands.

There are, however, a number of small actions you can take—if you act right *now*, before December 31—to save a few dollars, maybe more. With that in mind, here are some tax-saving moves for the last few weeks of 1978:

• Perhaps the most important thing you can do is rush down and see your tax man. After a "dry run" is done with your return to ascertain your tax position, the specialist can probably think up a few shrewd last-minute moves to save some money.

• If you find you're going to be hit for a bundle this year, you can quickly increase your deductions for 1978 by making last-minute business expenditures on things such as office supplies, equipment, furniture, repairs, advertising, etc. The only rules are that you must be on the cash accounting method and the expenditures must not be "excessive" by IRS standards (which is obviously a *very* "grey" area).

• If you're buying capital goods, or in the process of installing them, finish the job quickly. If such materials are "in service" by December 31, you'll be eligible to take an accelerated depreciation write-off, as well as the lucrative investment credit.

• You may want to defer income, if the chance exists. One legal way to accomplish this is by deferring the final delivery of your own goods or services to your customers; you may want to do this only if you're on good terms, and let them know what's happening. Simply putting off billing for goods or services can lead to arguments with the IRS over possible tax fraud, if they ever notice it, and if they can prove you were doing it only to reduce taxes. So watch out.

• If you own a corporation, savings can be had by shifting income back and forth between you and the company, depending on which has the lowest tax bite. This can be done with year-end salary increases, bonuses, and so forth. Your tax specialist knows how to do it.

• There are myriad expenditures that can be made to boost Schedule A deductions. For instance, have you paid off all those medical bills? Need to stock up on medicine cabinet drugs? Have you totally paid up your medical insurance? Do so.

• You can always pick up a bunch of deductions by contributing to one charity or another: the only rule is that you may not deduct more than half your adjusted gross income. This includes not only cash contributions to organizations like the Red Cross, the Reason Foundation, or your local help center but also *noncash* contributions. Got an attic full of old junk you've been meaning to get rid of? Well, pile it up, take it down to a Salvation Army or Goodwill store, and get a receipt for it. You then put a fair-market value on the mess and put the amount in with your itemized charitable deductions.

• There are other nonbusiness deductions besides those on Schedule A. For instance, one of my favorites is the "credit for contributions to candidates for public office." This is an ultimate in self-serving politicians' ploys but one that nicely backfires. Simply donate the maximum amount to a rabid antitax, antibureaucrat candidate (libertarians are famous for such stands). If you file a single-person's tax return, donate $50 for a maximum credit off your taxes of $25. If you're filing jointly, donate $100 for a maximum $50 tax credit.

• How about child- and dependent-care expenses? Pay them off if there are any pending, then make sure you've spent enough during the year to get up the maximum allowable credit.

Finally, I should mention that there are two schools of thought in the area of spending-in-order-to-save-on-taxes. One side says that expenditures shouldn't be made *solely* to save taxes—because each dollar spent will only save *part* of a dollar, the part depending on the tax bracket involved. The other side holds that if any reasonable excuse can be made to spend money so that it won't go to the government, do it.

I like the second side. Since the huge majority of our problems stem from government and the money it has to play with, it becomes almost a moral obligation to pay as little as possible. Besides, if you spend for something, you'll have the benefit of it, whatever it may be. But if the money goes to the government, you take a loss no matter what: the funds will simply be used to further regulate and harass you.

If you can keep the money out of their hands, and even sometimes make deductions work *against* the bureaucracy . . . well, it's a satisfying feeling to both save money and fight the hogs sucking so contentedly at the public teat.

—Tim Condon

spotlight

Workers' Rights Champion

The *New York Times* describes Reed Larson as one who "can mobilize a right-wing army of hundreds of thousands, make Presidents change their minds, and frustrate the best-laid plans of organized labor." Seemingly as an afterthought, in further testimony to his influence, the *Times* adds that "he even has his own zip code number."

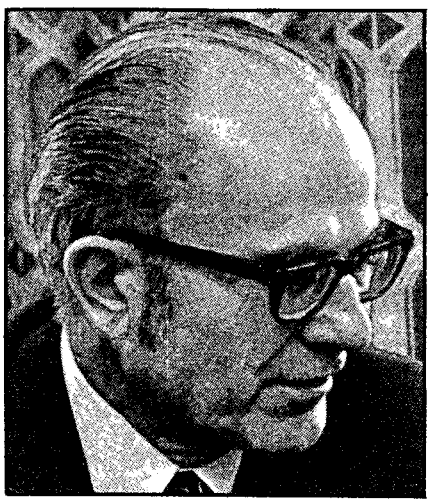
As president of the National Right to Work Committee, Reed Larson, 56 years old, is the acknowledged leader in the fight against compulsory unionism and the closed shop. Twenty years ago Larson left a promising engineering position with a firm in Kansas to head the drive to pass that state's right-to-work initiative. As he jokingly remarks, "The campaign took a little longer than expected"—in a sense, it hasn't ended yet. After the initiative's passage Reed was appointed executive vice-president of the national committee, which was just being formed at the time.

Under his guidance the organization has grown to a phenomenal 1.25 million members. In 1977 contributions totaled $8.5 million, and 25 million letters were mailed at a cost of $2 million for postage alone. While Larson is actively working to gain states' passage of right-to-work measures banning the closed union shop—20 states now have such provisions—he and the committee are also providing assistance to employees filing lawsuits against compulsory unionism, mounting an attack on public-employee unionism, investigating pro-union materials reaching public schools, placing ads in publications, and commissioning public opinion polls.

During the 95th Congress, Larson directed the legislative battles that brought the defeat of the common situs picketing bill (which would have allowed union picketing to shut down parts of a construction site in addition to those directly involving the union) and the labor law reform bill (which the Right to Work Committee says would have compelled "hundreds of thousands of additional employees into unwanted unions"). These defeats forced labor organizations—led by the American Federation of Labor and the Congress of Industrial Organizations (AFL-CIO)—to temporarily forgo their attempt to repeal section 14(b) of the Taft-Hartley Act (which allows states to pass right-to-work measures). Larson accomplished this task through the coordination of massive letter-writing campaigns using the committee's tremendous membership.

Larson views the right-to-work issue as a philosophical one involving the issue of human rights. The national committee's stationery displays its position: "Americans must have the right but not be compelled to join labor unions." Reed says that his purpose is "not anti-union" but "to guarantee the freedom of employees." "Anyone who says voluntarism is anti-union," he declares, "is condemning unionism by saying it can only exist on compulsion."

He sees unions' charge that right-to-work laws allow "free riders"—those who benefit from union negotiations but do not have to pay their share of the costs—



Reed Larson

as "phony." People who are forced to join labor unions are "captive passengers," he says, and he is quick to point out that "many people are not helped" by unions. The most common complaint against unions is that they enforce a leveling out of the productivity of workers, and many workers "do not want to be saddled with a union agreement" that does not encourage — or even discourages — increased productivity.

One issue of special concern to Larson "is diversion of compulsory union dues into politics," because it forces individuals to assist political causes in which they do not believe. And some of the coercive powers of government, he maintains, are the result of unions using their political power to come down on the "side of more government."

But Larson is evasive when questioned whether he believes that "businesses should be free to choose to hire either union or nonunion employees." He counters that "we crossed the bridge many years ago with government intervention" and that we are no longer in a position to make that decision. He notes that "yellow dog contracts" (by which a worker promises not to join a union if he is hired by a company) were outlawed in 1935 and that the National Right to Work Committee has never taken a stand on that issue. While "one kind of yellow dog contract is banned," though, "another type of yellow dog contract forcing membership" is sanctioned. Yet when asked again about his own personal views on the subject, Larson says that he has "never thought about it."

Politically, Larson is "very suspicious of concentration of power against individual choice," and he believes that too much coercive power has been concentrated in the hands of the government. He does not associate the development of his political beliefs with any particular personal events but says that his views were primarily shaped by the family environment in which he was raised. In Kansas, where he grew up, he was actively involved in many different causes and served as president of the state's Junior Chamber of Commerce the year before he ran the effort to pass the right-to-work initiative.

In the coming year he is preparing to fight attempts to lower the number of senators needed to end a filibuster—the filibuster has been an extremely important instrument in preventing further increases in unions' power. Larson will also work on getting the legislatures in New Mexico, Idaho, Maine, Vermont, and Colorado to approve right-to-work legislation. Many times in the past, Reed Larson has performed a critical role in the defeat of union-backed legislation. In 1965 he persuaded Everett Dirksen of Illinois, the Senate Republican leader, to personally maneuver the filibuster against eliminating 14(b). In 1970, in keeping the post office from becoming a closed union shop, he won a major victory against the combined opposition of the Nixon administration, the Chamber of Commerce, and the AFL-CIO.

Reed Larson's activities at the National Right to Work Committee have caused problems for the unions. Whether he is fighting court battles or bills before state legislatures, the struggles take money and resources that labor unions would like to use in other ways. As one staff member for the AFL-CIO said, "Even when we win it, we lose it."

—John R. Lott

books

G. K. Chesterton: Radical Populist

By Margaret Canovan
New York: Harcourt Brace Jovanovich.
1977. 175 pp. $10.95.

Reviewed by David Friedman

The great temptation in reviewing a book on Chesterton, as in writing one, is to simply assemble a string of quotations, tied together by a minimum of commentary. The only safe alternative would be to include no quotes at all. Margaret Canovan has had the courage to follow the middle course and consequently comes out of the book rather less well than her subject. Her examples of Chesterton's writing make her own attempts to defend him appear rather like Woody Allen volunteering his services to bodyguard Mohammed Ali. In truth, Chesterton needs no defense; whatever his faults, he is so good that anyone who deserves the pleasure of reading him will gladly forgive them. He resembles in this the other great political essayists of this century, H. L. Mencken and George Orwell; it was Orwell who, in an attack on the later Catholic apologists, described them as "the leavings on Chesterton's plate."

For Canovan, the central puzzle is how Chesterton could be at the same time a revolutionary and a defender of private property, a radical opponent of both the conservative ruling classes and their socialist adversaries. How could a man both good and intelligent not only fail to support measures such as national health insurance, state regulation, and child labor laws, but actively oppose them? How could it be that Chesterton, the most radical of Liberals, who had the courage to openly oppose British imperialism during the Boer War, broke with the Liberal Party not merely when, but explicitly *because*, it became "progressive"?

It is to her credit that Canovan does not dismiss Chesterton as merely a talented madman. She instead argues that he saw progressive legislation as a paternalistic and often self-interested attempt by a ruling elite to tell the masses what was good for them and to compel them to do it. She thus converts the dispute into a class conflict, with Chesterton defending the "good" lower class against the "evil" upper. Those are terms that she, and her modern English audience, can accept.

This description is correct as far as it goes, but it makes Chesterton's position seem much narrower than it was. It is true that he wrote at length and with feeling about the class nature of paternalistic state action. But his point was not that such action would be desirable if the common people were behind it; it was, instead, that the people were not behind it precisely because it was not desirable. For Chesterton, what is wrong is taking away a man's freedom to run his own life; that it is taken away by a rich man who says he is doing it for the victim's good only adds insult to injury. That the rich man is, in practice, exempt from his own law is an additional injustice but also an explanation of why he supports it.

The narrowness of Canovan's interpretation makes her final chapter on Chesterton's relevance curiously flat. She ties him in with everything from Watergate to the Concorde and repeats the usual clichés concerning the ills of the modern world. What she fails to note is that, whether or not Britain and the United States are—as Chesterton believed that England was—class societies ruled by an elite, most of the specific tyrannies that Chesterton fought, including some of those that Canovan finds especially horrifying, still exist. Consider, for example, the Mental Deficiency Act, "which authorized any two doctors to identify any person or child as 'deficient'. . . and lock him up for life." As Chesterton pointed out, "If I want to dispossess a nephew, oust a rival, silence a blackmailer, or get rid of an importunate widow, there is nothing in logic to prevent my calling them feeble-minded too. And the vaguer the charge is the less they will be able to disprove it." If Miss Canovan is aware that in much of the United States a man can be committed on the word of two psychiatrists without having been convicted of any crime, and locked up until he succeeds in persuading his keepers that he is "cured," she does not mention it.

The same narrowness of interpretation leads to her main thesis—that Chesterton was a populist. She quotes Peter Wiles's identification of populism's major tenet as "Virtue resides in the simple people, who are the overwhelming majority, and in their collective traditions." She observes, correctly, that Chesterton believed the masses of the population were in favor of both liberty and common sense. But by implying that he was for those things *because* the people were for them, she, as she realizes, creates a serious problem for her interpretation. Chesterton's writing was popular, but his views were not. His attempt at a political movement, the Distributist League, was a flop. If he held his views because they were the wisdom of the people, why did the people not support him? If the people did not support him, why did he not change his views?

Chesterton not only did not accept the identification of what is "right" with what is "popular"—he despised it. In *What's Wrong with the World* (1910) he wrote: "We often read nowadays of the valour or audacity with which some rebel attacks a hoary tyranny or an antiquated superstition. There is not really any courage at all in attacking hoary or antiquated things, any more than in offering to fight one's grandmother. The really courageous man is he who defies tyrannies young as the morning and superstitions fresh as the first flowers. The only true free-thinker is he whose intellect is as much free from the future as from the past. He cares as little for what will be as for what has been; he cares only for what ought to be."

If not a populist, what was he? "I am a Liberal. It is the other people who are not Liberals." And, "As much as I ever did, more than I ever did, I believe in Liberalism. But there was a rosy time of innocence when I believed in Liberals."

There was a time, long ago, when liberalism meant belief in individual liberty. Chesterton left the Liberal Party when it abandoned that belief in favor of what is now called liberalism—democratic socialism and water. In explaining his "paradoxical" opposition to both the status quo and socialism, he put the liberal case very simply. "I am one of those who believe that the cure for centralization is decentralization. It has been described as a paradox. There is apparently something elvish and fantastic about saying that when capital has come to be too much in the hands of the few, the right thing is to restore it into the hands of the many. The Socialist would put it in the hands of even fewer; but those people would be politicians, who (as we know) always administer it in the interests of the many."

The best way to understand Chesterton's political position is to look at the radical liberal movement that now calls itself libertarianism. One finds there not only the same opposition to increases in State power, under whatever guise, but also, at times, the same tendency to view government oppression as not only bad but deliberate, as the outcome of a conspiracy, explicit or implicit, among the political parties against the populace.

This is, I think, an error, a failure of analysis—a point I discuss in *The Machinery of Freedom*. But it is an error entirely natural to one who recognizes, unlike many of his (and our) contemporaries, the limits of formal democracy as a mechanism for controlling State power. Similarly, while many advocates of private property might be disturbed by Chesterton's "distributionist" objective of dividing up land among the population and his opposition to large aristocratic estates, they should realize that he, like some of the more radical of modern libertarians, believed that existing land holdings reflected historical acts of theft, so that redistribution would be a vindication, not a violation, of legitimate property rights.

There is at least one important respect in which Chesterton's position was superior to that of many liberals, then or now. He realized that a commitment to liberty still left the most fundamental questions unanswered, that a consistent libertarian, like anyone else, still requires a philosophical basis for choice.

"Every one of the popular modern phrases and ideals is a dodge in order to shirk the problem of what is good.... The modern man says, 'Let us leave all these arbitrary standards and embrace liberty.' This is, logically rendered, 'Let us not decide what is good, but let it be considered good not to decide it.' He says, 'Away with your old moral formulae; I am for progress.' This, logically stated, means, 'Let us not settle what is good; but let us settle whether we are getting more of it.' He says, 'Neither in religion nor morality, my friend, lie the hopes of the race, but in education.' This, clearly expressed, means, 'We cannot decide what is good, but let us give it to our children.'"

A discussion of Chesterton's own answer to that problem would carry us into the other principal area of his writing—religion. Miss Canovan is, I think, correct in believing that the two areas are intimately related; she may also be correct in arguing that his "orthodoxy" was, if not Catholicism made over in his own image, at least one strand isolated from a diverse fabric.

The weakness in Canovan's analysis of Chesterton's political views shows itself as a concentration on those elements of his thought with which she can most easily sympathize. In her analysis of his religious views, it appears as distance; the ideas never come alive as they so often do in his own writing. For the most part she contents herself with showing how he could be a Catholic without being a conservative, an authoritarian, and a fascist. That may be an appropriate approach for a study of the political elements of Chesterton's thought, but readers of her book should at least be aware that there are other elements.

Despite its faults, Margaret Canovan has written a useful book. For those who do not know Chesterton she provides a sample that may prove addictive. Those who do will find her attempt to fit his ideas into a single pattern at least suggestive of the unity that underlies the writing of this most articulate and least successful of 20th-century radicals.

David Friedman teaches economics at the Virginia Polytechnic Institute and State University and is the author of The Machinery of Freedom, *recently reissued by Arlington House.*

The Antitrust Paradox: A Policy at War with Itself

By Robert H. Bork
New York: Basic Books. 1978. 462 pp. $18.

Reviewed by Harold Demsetz

The debate on antitrust broke into the open at the beginning of this decade. It continues to this day and is likely to gain momentum with repeated attempts to legislate a restructuring of American industry. Professor Robert Bork has been an active critic of antitrust policy for longer than the present debate, and he now joins issues again in this major contribution to the discussion.

His starting point is to posit in principle and from his study of the origin of the Sherman Antitrust Act that its legitimate objective is the promotion of consumer welfare, or, in the technical language of economics, efficiency. He then examines the development of antitrust from early landmark cases to recent decisions, covering the fields of market concentration, mergers (horizontal, vertical, and conglomerate), and various marketing and pricing practices. The reader is left with no doubt about Bork's appraisal—antitrust has strayed considerably from the promotion of consumer welfare and, consciously or unconsciously, has been turned instead to protecting competitors to the detriment of consumers.

More importantly, the reader is left with no doubt about Bork's reasons for this gloomy appraisal. Unlike most works on antitrust, which make ample use of catch phrases such as "shared monopoly," "barriers to entry," and "market foreclosure," Bork looks behind words to logical analysis. This he does by an unremitting application of standard price theory to a discussion of cases and decisions.

This discussion can be faulted in a few respects. Bork is more aware of recent legal developments than of recent work by economists; had he followed the economists' contributions more closely, he would have been able to bring a different sort of evidence to bear in support of his conclusions — broad-based statistical work. As it is, he is forced to confine his discussion to the logic of particular cases, supplemented with a scattering of facts found in those cases and in discussions of them by others. This creates the possibility of a biased sample of antitrust decisions or a biased selection of quotations and reasoning from those decisions (neither of which I believe to be the case). In addition, Bork's methodology is too heavily weighted toward rejection of the court's logic; more attention to the provision of positive explanations of business practices in terms of efficiency would have been worthwhile and could have been offered.

Finally, Bork's objection to horizontal mergers that create highly concentrated industries seems ad hoc and does not at all flow from a consistent application of his logic. That logic relies heavily on the assertion or fact of open entry—where there are no legal or "artificial" barriers to new firms' entering an industry. Bork uses that logic to undercut concern about "dominant" firms that secure their position through internal growth and also to disarm belief in various "market imperfections." It is equally applicable, though, to mergers, and the fact that Bork refrains from a consistent application of open entry reveals an implicit but unrecognized deficiency in the analytical tool at his disposal.

That tool is price theory. But price theory has not yet addressed the question of how long it takes for market processes to erode "temporary" market power. The question then arises whether a judicious application of antitrust cannot accomplish this task more efficiently. Bork's implicit answer with regard to internal growth of a firm to a position of dominance is no, but to growth achieved by merger, yes. But the reader must wonder why different answers are given. A consistent answer would be no if we are willing to accept the position that (the threat of) competitive entry reflects merely the true cost of doing business. An appropriate objection to this would be that the potential entrant does not include in his expected return from entering the full social benefits of upsetting temporary market power, so that extra-market action is called for. Here I am addressing only the logical inconsistency in Bork's application of the constraints imposed by (poten-

tial) entry on firms made "dominant" through merger. There is perhaps the more important and researchable question of fact: do courts act more quickly than entry to end market power (when they are not busy creating it)?

Bork is too much impressed by economic logic to fully recognize its shortcomings in dealing with certain problems. He is therefore prone to take the position that, if only judges and lawyers knew economics, most of our mistakes in antitrust policy would have been avoided. Unfortunately, many economists have and do support the very court decisions attacked by Bork. Partly, of course, this is because of poor or incomplete economic analysis, but partly it is because there is nothing in economics *per se* that puts consumer interest before other interests. Economics, after all, is (or should be) value-free. An economist, judge, or civil servant who fears that big business may have too much political influence, or who in general subscribes to a version of "Jeffersonian Democracy," may not want to leave the issue to new congressional legislation, as Bork proposes. An economist or judge may be so fearful of socialism that he deems the cost of sacrificing innocent firms to antitrust well worth incurring.

These shortcomings notwithstanding, Bork's book is in a very real sense a tour de force. In case after case he demonstrates clearly that it is more likely that consumer interests have suffered than gained from antitrust decisions, that we are not dealing with an infrequent error embedded in a multitude of pro-consumer decisions but rather the reverse. His discussions are clear and systematic. They reveal the slipshod reasoning and the lack of supporting evidence in cases that affect the way business can be carried on in this country. The overall impression made on someone not already familiar with the situation must be one of shock and dismay. A policy—the antitrust policy—so unclear as to application, applied so often against consumer interests, cannot be judged a good law from the viewpoint of those interests. Something other than lack of economic knowledge is at work. The decisions are not randomly in error; they are systematically in error.

If consumer interest is accepted as the guide for policy in this area, as it is by Bork, then the conclusion one must reach after reading Bork's devastating attack is not for reform of antitrust policy but for the end of antitrust. Mere knowledge of economics, however, or mere reading of Bork's book, is insufficient to offset the powerful interests that work to turn antitrust against consumers. Bork's call for reform, for adherence to consumer interest as revealed by economic analysis, must fall on the hard of hearing; indeed, in one way or another, in court and out, they have heard this call before. That is the paradox of antitrust.

Harold Demsetz teaches economics at the University of California at Los Angeles.

Book Hints *a selective mention of books received*

The baneful results of governments' reckless financing of ever-expanding programs are increasingly being recognized and coming under fire. Following on the heels of the popularization of the Laffer Curve, Jude Wanniski's analysis of history in the light of taxing policies, and New York's continuing troubles, Richard Rose and Guy Peters ask, *Can Government Go Bankrupt?* (New York: Basic Books, 1978, 283 pp., $12.50). Indeed it can, they answer; and what they call political bankruptcy follows close on the heels of overspending. For Henry Hazlitt, recognition of inflation and its havoc is nothing new. In 1960 he came out with *What You Should Know about Inflation.* When he set out to update it for the late 1970s, he ended up writing a new book—*The Inflation Crisis, and How to Resolve It* (New Rochelle, N.Y.: Arlington House, 1978, 192 pp., $8.95). And in *New Profits from the Monetary Crisis* (New York: William Morrow, 1978, 480 pp., $12.95), investment advisor and bestseller author Harry Browne tells why his previous advice on gold, silver, and currencies is no longer applicable—and what should be done now.

World affairs come in for discussion in two recent books. In *Never Again: Learning from America's Foreign Policy Failures* (Philadelphia: Temple University Press, 1978, 151 pp., $10), defense analyst and libertarian sympathizer Earl Ravenal argues for a systems approach to international relations. And Carl Friedrich von Weizsäcker, of the Max Planck Institute in Germany, has international economic and social relations revolving around power. But we need a transformation to "a global consciousness," he says, if war is to be prevented. It's all in *The Politics of Peril: Economics, Society and the Prevention of War* (New York: Seabury Press, 1978, 276 pp., $12.95).

A book that's unfortunately gone mostly unnoticed: William Davis's *It's No Sin to Be Rich* (Nashville: Thomas Nelson, 1976, 264 pp., $8.95). A writer and for many years the editor of *Punch*, Davis dissects modern attitudes toward wealth and offers a defense of capitalism as "the only political system that can uphold and protect individual rights." And what can that system nurture? Traditionally, the free-wheeling innovator. The flavor of it comes through in *The Spirit of Enterprise*, edited by Gregory B. Stone, illustrated (San Francisco: W. H. Freeman, 1978, 360 pp., $6.95 paper), which presents 131 of the more than 3,000 entries in the first Rolex Awards for Enterprise, a contest initiated by Montres Rolex S.A. of Geneva to encourage enterprising endeavors in three areas: applied science and invention, exploration and discovery, and the environment.

While the voter turnout for California's Proposition 13 was high, electoral participation in general has been low and sinking in the United States—a cause for endless commentary by pollsters and pundits and sociologists. Recent contributions include *The Empty Polling Booth* by journalist Arthur T. Hadley (Englewood Cliffs, N.J.: Prentice-Hall, 1978, 179 pp., $8.95) and several analyses of what it all means for the party system and the resulting government: *Emerging Coalitions in American Politics*, edited by Seymour Martin Lipset (San Francisco: Institute for Contemporary Studies, 1978, 519 pp., $6.95 paper), which includes an essay by Edward H. Crane III, former national chairman of the Libertarian Party; *The New American Political System*, edited by Anthony King (Washington, D.C.: American Enterprise Institute, 1978, 407 pp., $6.75 paper); and *Where Have All the Voters Gone?* by Everett Carll Ladd, Jr. (New York: W. W. Norton, 1978, 86 pp., $7.95). Of related interest is political scientist Edward Tufte's *Political Control of the Economy* (Princeton, N.J.: Princeton University Press, 1978, 168 pp., $10). Tufte is particularly concerned with countering the effect of election-year political moves with respect to the economy.

—M. Z.

The High Frontier: Human Colonies in Space

By Gerard K. O'Neill
New York: William Morrow & Co. 1977.
288 pp. $8.95.

A common belief among intellectuals otherwise favorably disposed to laissez-faire is that the American frontier disappeared around 1890 and that this fact forced a fundamental change in the relationship between American governments and their citizens. No longer was traveling West a suitable outlet for the poor or

(*Continued on p. 48.*)

movies

• Autumn Sonata • The Boys from Brazil • National Lampoon's Animal House

• The films of Ingmar Bergman, the famed Swedish director who moved to Munich last year because of harassment by the Swedish IRS, have been variable in quality. Some have been gems. *The Virgin Spring*, for example, was a classical Greek tragedy, perfectly etched from beginning to end; and *Wild Strawberries* was an emotionally intense work, full of human insight. On the other hand, some films, such as *Hour of the Wolf* and *Winter Light*, sometimes became mystical to the point of unintelligibility, with obscure symbolism and characters reveling in their neuroses without doing much of anything except making cryptic utterances.

His latest, filmed in Norway, **AUTUMN SONATA**, is among his finest. There is no lack of clarity here, no confusion between what is real and what is imagined; there is profundity without pretentiousness, and the cup of human passion overflows, so much that the experience may be too shatteringly intense for some viewers. Two marvelous actresses, Ingrid Bergman and Liv Ullman, are at their peak of accomplishment in twin starring roles as mother and daughter. What begins as a meeting between the sensitive but insecure daughter and the proud selfish mother, who have not seen each other for seven years, becomes a series of self-revelations that are emotionally gripping and psychologically compelling. The film (in Swedish with English titles) provides the two actresses with the occasion for performances that (and for them, this is saying a lot) they have never excelled. Ingmar Bergman as script writer is even more remarkable in this instance than he is as director. The photography by Sven Nyquist is brilliant as always, and in addition there is excellent Chopin and Bach: the scene in which the mother explains to her daughter the meaning of a Chopin etude is all by itself worth seeing the film for.

The flow of emotion is continuous and intense, though visually the film is somewhat static. This uncinematic feature is made up for, however, by moving faces in constant close-ups, an in-depth study in character as expressed in the human face. As we see each event from the point of view of both women, one identifies strongly with each of them in turn, and with almost unbearably strong empathy.

This film is most reminiscent of one of the great silent films, *The Passion of Joan of Arc* (1928) by the great Danish director Carl Dreyer. *Joan* consists almost entirely of close-ups of human faces—Joan's and those of each of her judges. Not until *Autumn Sonata* has there been another film consisting so exclusively of close-ups registering the shifting patterns of expression on human faces. With faces as beautiful as those of Ullman and Bergman, one sits through the film mesmerized—exhausted at the end, but with new insight into an array of problems concerning the relation of a deeply sensitive growing child to a mother whose professional career has always been her first consideration. These problems are more deeply probed in this film than they have been in any other.

—John Hospers

• Every film directed by Franklin Schaffner is, like his *Patton*, meticulously planned, plotted, acted, photographed, and directed. The same is true in **THE BOYS FROM BRAZIL**. The only question here is whether the whole enterprise was worth it.

It gathers momentum with extreme slowness, and because of the diversity of the characters it is difficult to relate them all or to get involved with any of them. It all comes together in time—the reason for the multiple assassinations, the cause of the look-alike children, and the rest, though it all happens so slowly that the audience becomes restive. Also, Gregory Peck is not that convincing a villain—he would do well to stick to virtue. James Mason is his usual silken self, and it is gratifying to see Lilli Palmer again after so long an absence, albeit in a trifling part. The fine acting in this film, and it is very fine indeed, is all done by Sir Laurence Olivier as the unwitting sleuth. As so often in recent years, the film in which he stars is unworthy of him, but there are so many layers of subtlety in his characterization that for his sake alone one might well go to see the film.

But the main thing wrong with the film is its absurd sense of proportion. Thirty-three years have elapsed since the demise of the Nazi regime, and Hollywood still presents it as the world's greatest enemy in 1978. It was somewhat plausible in that fine thriller of a few years back, *The Odessa File*, but the theme of German neo-Nazism has worn too thin, and the guise in which it appears here is too palpably ridiculous, even though it did come from Ira Levin's novel. With pictures of Hitler plastered over the wall and characters saluting each other with "Heil Hitler!" three decades after his death, even an audience not imbued with a profound sense of history seems to sense its absurdity. Socialist dictatorships are breaking out like an ugly rash all over the world, and we are supposed to consider as a major threat anything that's happening in Paraguay? True, it's probably a nasty little dictatorship, and there may indeed be a few superannuated Nazis still hiding out there, but... Paraguay? Can grown men seriously participate in making a film in which the major villainy in the world is being concocted there? While they guard the front door against the wasp that stung them many years ago, a king cobra is entering the back door without their giving it the slightest attention. Paraguay?

—J.H.

• It seems that the cinematic nostalgia trips began with *American Graffiti* some years back. At the end of all the high-school shenanigans the viewer was informed that each of the characters was a real person, and he was told what each one was doing now, some 15 years later.

In the wake of that highly popular film, many attempts have been made to capture a similar nostalgia, though none have been as successful. Since the same device of identifying the characters at the end, and informing us of their current activities, is used in **NATIONAL LAMPOON'S ANIMAL HOUSE**, we are probably meant to infer that this film also represents a piece of nostalgia. If so, it must be considered a reductio ad absurdum of this overworked genre. It is one thing to be nostalgic about early romances and racing-car pranks; it is another to be nostalgic about an uninterrupted orgy of destruction and meaningless violence. Besides, these are supposed to be college students, though not one of them exhibits any qualifications for entrance even into high school, and after watching even 10 percent of their antics one wants to cheer the dean who expels them all (though he is supposed to be the villain of the piece). After the umpteenth car is destroyed, one would like to take all the money spent on destroying cars and other property to produce this strained and unfunny comedy and use it to provide tuition for these intellectual dropouts to attend trade school —provided that any of them could read, for which there is no evidence either.

—J.H.

books

(Continued from p. 46.)

otherwise disaffected, goes the theory; new, statist institutions were required to deal with them. Followers of this theory could presumably be diverted from Kennedy-style New Frontiers by the emergence of an actual new frontier.

Comes now Gerard K. O'Neill, professor of physics at Princeton University, with a compelling case that the ultimate frontier—space—can be economically reached in our generation. Backing up his arguments are impressively detailed cost estimates.

O'Neill's biggest obstacle is what has been called "planetary chauvinism," the notion that all worthwhile human activity must take place on large balls of rock. The well-known difficulties of sustaining life in space do not justify planetary chauvinism, because there are also great advantages to a space environment, such as the lack of gravity and the abundance of room. In particular, transportation becomes very cheap away from the gravitational influence of the earth.

The very plausible scenario suggested by O'Neill begins with the reusable space shuttle, which makes certain types of space manufacturing economical. Because room is not a constraint, these space factories can support a large number of solar panels for energy and can be made large enough to be self-sufficient agriculturally, given this abundant energy supply. The population can also be large enough (say 10,000) to include plenty of people with specialized skills, so that only the rawest of raw materials need be imported.

With cheap energy and transportation, the cost of producing a space habitat would not be impossibly large. Rough calculations suggest that the cost per resident of a space habitat would be about the same relative to total income as the emigration costs borne by the American pioneers. The one vast difference is that a space habitat would include the latest technology, freeing emigrants from the type of hardships faced by the American pioneers.

Of special relevance for anyone disaffected with today's societal/governmental alternatives — O'Neill's work suggests that easy and convenient emigration will soon be available on a scale unparalleled in human history. A community in space could be physically independent of earth but could also obtain information (which in its broadest sense includes literature, music, drama, etc.) from earth or from other space habitats within hours. Food need not be taken in pills—as in the standard space opera—but would be grown as on earth, except that the weather would always be perfect. The physical arrangements (terrain, temperature, precipitation) of each habitat could differ according to the tastes of its residents.

Emigration from a habitat would be as cheap as any other space travel where gravity is not a major concern, although it could be time-consuming. So despotism and homesickness need not be more severe away from earth than on it. Not treated by O'Neill is the problem of defending a habitat.

The future sketched by O'Neill is a much more reasonable prospect than anything yet suggested elsewhere, and since his scenario is of particular interest to political and cultural minorities, *The High Frontier* is well worth the attention of any friend of liberty.

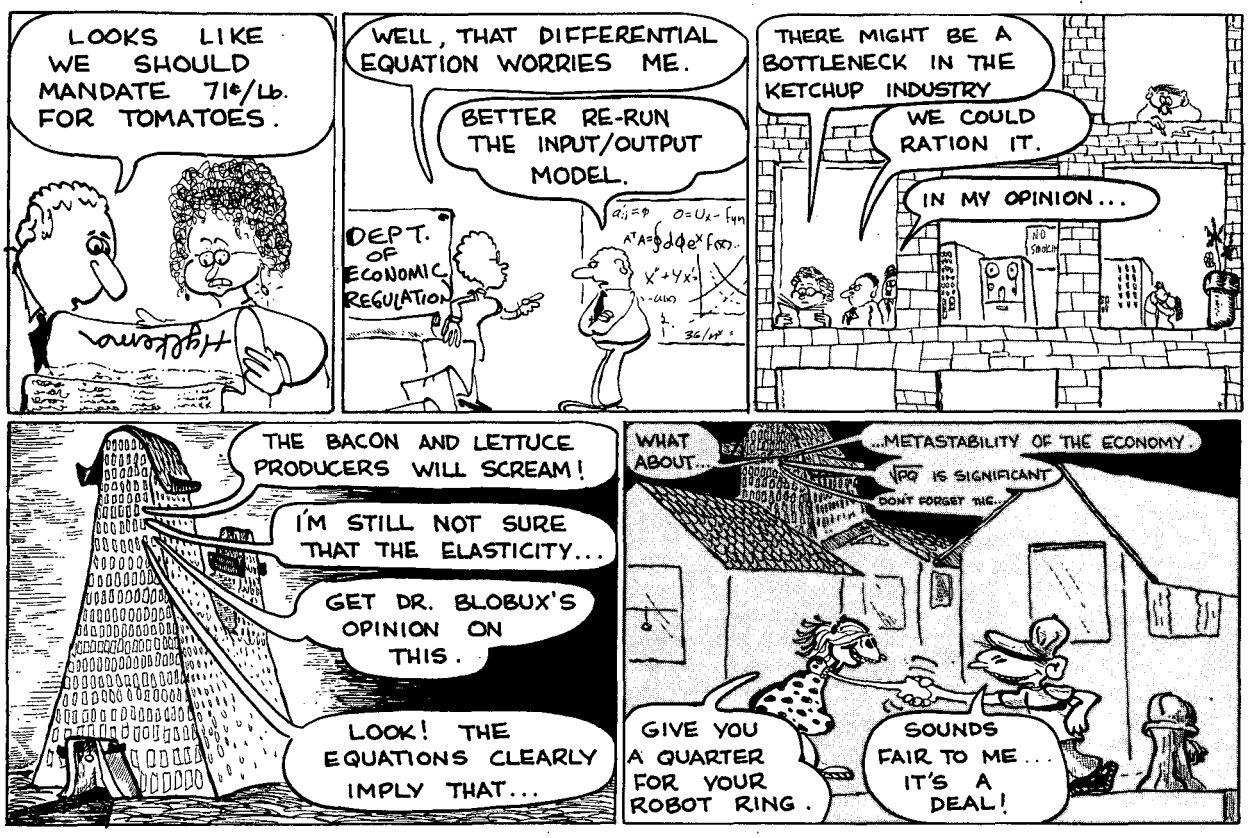
—Jeffrey D. Smith

"Never blame a legislative body for not doing something. When they do nothing, that doesn't hurt anybody. When they do something is when they become dangerous."

—Will Rogers.

rudebarbs

by Randall K. Hylkema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BETTER RE-RUN THE INPUT/OUTPUT MODEL.
DEPT. OF ECONOMIC REGULATION
THERE MIGHT BE A BOTTLENECK IN THE KETCHUP INDUSTRY
WE COULD RATION IT.
IN MY OPINION...
THE BACON AND LETTUCE PRODUCERS WILL SCREAM!
I'M STILL NOT SURE THAT THE ELASTICITY...
GET DR. BLOBUX'S OPINION ON THIS.
LOOK! THE EQUATIONS CLEARLY IMPLY THAT...
WHAT ABOUT...
...METASTABILITY OF THE ECONOMY.
IS SIGNIFICANT
DON'T FORGET THIS...
GIVE YOU A QUARTER FOR YOUR ROBOT RING.
SOUNDS FAIR TO ME... IT'S A DEAL!

letters

(Continued from p. 11.)

fact that the earth is a common heritage, all wealth is social, and thus if the production of values cannot be justly fragmented and divided then the distribution of these products must also be socialized by the worker-consumer associations for the benefit of all.

Actually, Karl Marx's alleged communism is really a system of state-capitalism. Communism in the true, and therefore libertarian, sense of the term is a system of equality of condition based on diverse needs. Genuine socialism cannot admit of any wage systems nor of any hierarchical pyramid of power or wealth. We can truly say that by very definition, it can never exist with any form of government as we know it.

Free socialists wish to replace the relations of private property with what is sometimes called "usufruct." To use and make fruitful but not to "own." What we as individuals cannot use we can only waste. To gain by using or exploiting the labors of other men and women is to initiate coercion. Under capitalism those others are *legally* free but not free in fact because they must by nature of man-made property laws sell themselves to that class of persons who, thanks to the State, monopolize every nook and cranny of the earth. The State taxes, but so also do the landlords and capitalists. They seize and hog the bountiful table of life that by moral right belongs to us all.

Those of us who are libertarian socialists can take heart that the Spanish CNT (National Confederation of Workers) is now undergoing a massive resurgence. Free socialism reflected in revolutionary anarcho-syndicalism is still a mighty current that may indeed one day sweep the world. Oh for an earth on fire with liberty, equality, fraternity, that grand trinity of which is anarchism!

Michael A. Nash
Memphis, TN

Bright Light

Thank you very much for an extremely interesting and well-written magazine. It's encouraging to receive REASON each month and feel that, at least in the States, something positive is happening. Here in Norway the whole system is moving towards a mixture of the cooperative state and socialism—it resembles a kind of tribal war between a multitude of pressure-groups, each claiming that their "needs" are so important that they must be filled by the State. I will just mention some of the latest developments in this battle for stolen money—everything done with the pretext of helping the weak and poor, and to create security for the Norwegian worker.

Very recently the association of actors demanded that all Norwegian theaters should double the number of actors and that they should be guaranteed one year leave with pay every second year. Most of Norway's 150 newspapers are subsidized by the state because the parliament wants to "preserve the great diversity in the Norwegian press." We have a law that compels a farmer to work on his farm in person, or it will be expropriated and sold to his neighbors. If you want to buy a telephone (sorry, you can't buy it, you have to rent it), you have to pay around $600.00 and wait up to five years before you get it. All radio and TV is administered by a state monopoly, which sends the "cor-

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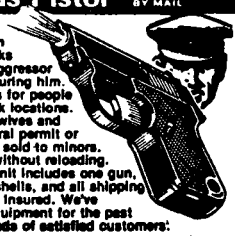

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Coming Next Month:

Warren Shore, author of *Social Security: The Fraud in Your Future* (Macmillan 1975) brings to REASON's pages an exposé of the fraud that is *now*, with the January increase in Social Security taxes and simultaneous reduction in benefits. People coming home with their first 1979 paychecks will know well what he is talking about. Bill Monroe, producer of NBC's "Meet the Press," criticizes FCC regulation as a deprivation of broadcast journalists' First Amendment independence. And Winston Martin analyzes the perversion of the First Amendment under its interpretation as a guarantor of media consumers' "right to diversity." Whether Plato can be dismissed as an antilibertarian is explored by Phillip Dematteis. We shouldn't be so surprised to find blacks among individualists, says Anne Wortham. And Karl Holm takes a careful look at socialism in Sweden. Plus Mark Tier on Money, Alan Reynolds's Viewpoint, and all of REASON's other departments and features.

rect" programs, not what the people want to have, but what they "ought" to have.

These are just some samples from the welfare state of Norway. If you read *Atlas Shrugged* and Norwegian newspapers at the same time, you will find that the Norwegian statists—of all colors—haven't missed a single law or measure in their attempt to control all human activity. Americans have a tendency to look to Sweden to see the horrors of statism; I think that Norway is a much "better" example. You may ask, if this is right, why isn't Norway shrugging? Until now we (i.e., the State) have had the oil-money to pay for all errors and waste, but even that isn't enough. Last month all prices and wages were fixed for a period of one and a half years. The next should be a resolution against the law of gravity—passed unanimously by the parliament.

On this background REASON appears as a bright light in the dark, which pinpoints the statists' fear of change, freedom of the mind, and *reason*.

Congratulations with your 10-year anniversary.

Jan Pettersen
Bergen, Norway

"We must beware of the dangers that lie in our most generous wishes. Some paradox of our nature leads us, when once we have made our fellowmen the objects of our enlightened interest, to go on to make them the objects of our pity, then of our wisdom, ultimately of our coercion."

Lionel Trilling

classifieds

BOOKS

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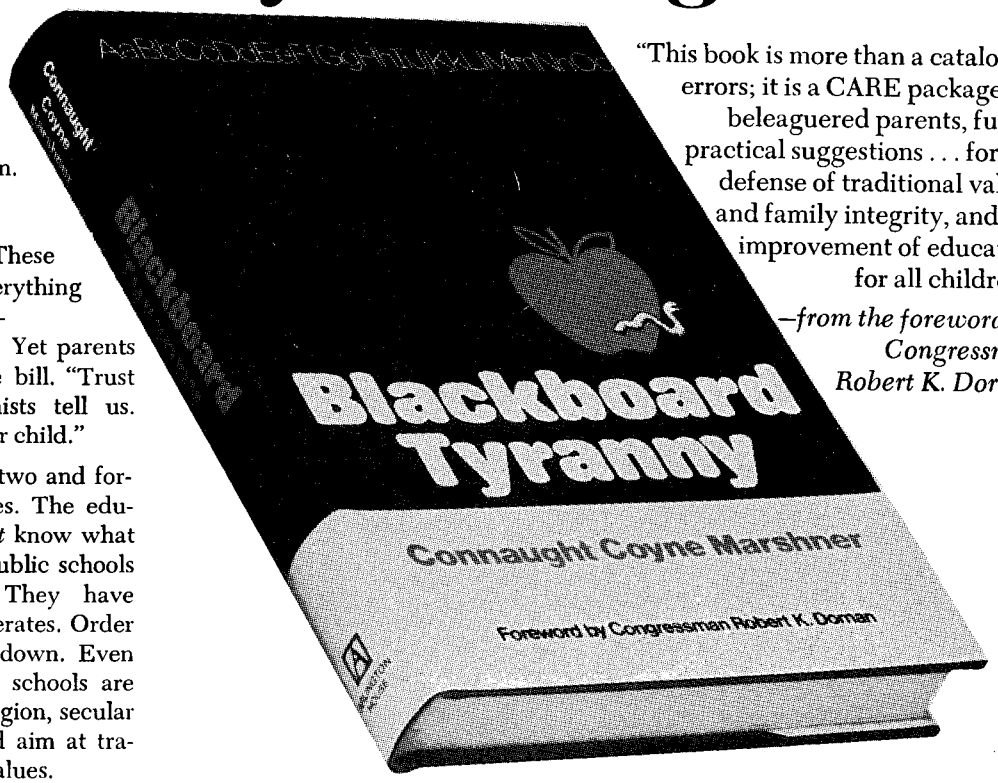
THE CLASSIFIED AD DEADLINE FOR THE MARCH ISSUE IS JANUARY 1st.

The kids are back in school—but what are they learning?



"This book is more than a catalog of errors; it is a CARE package for beleaguered parents, full of practical suggestions . . . for the defense of traditional values and family integrity, and the improvement of education for all children."

—from the foreword by Congressman Robert K. Dornan

Prayer is out. Comic books and Mao are in. Is it any wonder parents are upset about the "education" their children are getting? These days the schools teach everything from TM to barnyard sex—everything *except* the basics. Yet parents are still expected to foot the bill. "Trust the experts," the educationists tell us. "We know what's best for your child."

Mrs. Marshner, mother of two and former teacher herself, disagrees. The education establishment does *not* know what is best for your child. The public schools have bungled their job. They have spawned a generation of illiterates. Order and discipline have broken down. Even worse, in the long run: the schools are pushing a new man-made religion, secular humanism, which takes dead aim at traditional religious and moral values.

The education establishment is powerful. It fears reform, and fights it. But concerned parents can break this tyranny. For parents who must contend with the public system, Mrs. Marshner has an armful of practical advice. How to get *action* from teachers, administrators, school boards, and legislatures. How to organize an effective parents' lobby—and keep it humming. Vital lessons to be gleaned from the West Virginia textbook battle. And, beyond the present system, Mrs. Marshner delves into the voucher plan, "alternative" public schools, early exit, and other hopeful prospects.

For parents who find the public schools impossible, Mrs. Marshner lays out the escape routes: established private schools, parochial schools, the new Christian schools, even starting a school or tutoring at home. Here are the pros and cons of each—a priceless guide for parents who look honestly at our schools and worry that their children will grow up moral and intellectual illiterates.

- Why Johnny *still* can't read
- Federal "child development": Fritz Mondale's cradle raid
- Abortion is fun! Learn all about it from your Uncle Sam
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- Teacher strikes: illegal. But crime pays
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HAS HARRY BROWNE SHIFTED GEARS?

In an exclusive interview in the World Money Analyst, the best-selling investment advisor announces some startling changes in strategy.

For more than eight years, Harry Browne has been bullish on gold, silver and Swiss francs. Those who acted on the advice in his best-selling books, 'How You Can Profit From the Coming Devaluation' and 'You Can Profit from a Monetary Crisis', realized substantial gains.

But if you could talk to Harry Browne today, you'd be in for a surprise! The **World Money Analyst** just interviewed Browne at his home in Zurich – and discovered that he's made a major change in strategy. It's almost time to reduce your holdings in gold, silver and Swiss francs, advises Browne, and diversify your assets into other liquid investments.

"Gold, silver and Swiss francs are still excellent long term investments," says Browne in this exclusive **World Money Analyst** interview, "but they are no longer enough by themselves." What made Browne shift to this new position? What specific investments does he now recommend? You'll find the answers in this hard-hitting interview.

But that's not all! This is the longest and most comprehensive interview Browne has ever granted. He updates his advice and predictions on a wide range of topics, including Swiss banks, financial privacy, moving abroad, the U.S. economy, the stock market, foreign currencies, precious metals, the prospects for hyperinflation. He gives detailed advice on the best investments for this year and next, complete with buy/sell recommendations.

He explains new investment tools he has developed to supplement his previous advice. And more – in this exclusive interview.

A Browne sampler

Selected quotes from his World Money Analyst interview.

"Right now, gold is in the middle of a rally that should last most of this year. I would expect the price of gold will be well over $US200, maybe between $230 and $300, by the time it tops out."

"There will ultimately have to be a gigantic deflation. The question is whether that will be preceded by a runaway inflation or whether we go directly into this deflationary stage."

"The Swiss franc, German mark, Japanese yen, I see these as being over-valued and due to go down in terms of the dollar in the next few months."

"I've been here (Zurich) for over a year now and I find it so attractive that I picture myself living here for five or ten years."

"I think, five or ten years from now, we'll probably have some form of gold standard."

"A banking crisis is an ever-present possibility. Another inflationary boom would tend to delay the bust. But I feel that at any moment there would be a run of US banking problems. It could be tomorrow, or next week, or next year."

What we asked him

Here are just a few of the questions Harry Browne answers in this revealing interview:

- How will gold, silver and Swiss francs perform in the next two to five years?
- What do you see ahead for the U.S. dollar? Are we headed for a runaway inflation? Or a deflation?
- What strategy do you now advise for holding investments, taxes, and the possibilities of invasion of privacy by agencies such as the IRS?
- Why do you expect a bull market in U.S. stocks in 1979?
- What methods do you advocate for currency trading?
- Why did you move to Zurich? Would you advise other Americans to move overseas?

For some of Browne's answers, see the box below. But these brief quotes are only a small sample of the wealth of useful data you'll find in the interview.

If you could speak with Harry Browne for an hour, you'd pay a $500 consulting fee. We put him on the spot for four hours. Our probing questions – and his frank answers – are yours free with a low-cost trial subscription to the **World Money Analyst.**

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Tax Haven Guide. How you can use the world's tax havens to minimize – possibly eliminate – your taxes.

Currency Watch. Trading strategies and short-to long-term trends for the world's major currencies.

News Break. How world and national events will affect you and your money.

Gold & Silver Update. The latest developments on bullion, coins, shares–and government actions affecting your holdings.

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